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Belgians, Danes Urge EEC To Approve a Devaluation

From Agency Dispatches
BRUSSELS — Belgium and Denmark sought devaluations Sunday for their currencies of 12 and 7 percent respectively, but diplomatic sources said that both gov-

ernments met stiff resistance from their European Economic Community partners at an unscheduled meeting of EEC finance ministers here.

The sources said that Belgium's

request for a 12-percent devaluation of the Belgian franc — described as an opening bid — ran into opposition from almost all nine EEC partners.

The sources said that Belgium rejected an 8-percent compromise proposal. They said that West Germany told Belgium it should either accept the 8 percent or opt to suspend its participation in the European Monetary System and let the Belgian franc "float."

The other EEC countries proposed to allow Denmark to devalue its crown by 3 percent if Belgium devalued by 8 percent, the sources said.

Luxembourg, which had hinted that it might sever its currency link with the Belgian franc, would be ready to follow the Belgian franc down if its devaluation were limited to 8 percent, the sources said.

While Belgium Finance Minister Willy de Clercq was requesting a devaluation of the franc at the EEC meeting, the country's premier, Wilfried Martens, announced a package of measures aimed at reviving the economy and boosting employment.

The package introduced restrictions on index linking of wages aimed at achieving a 3-percent limit on pay increases and froze prices at their Feb. 15 level until May 31. Savings generated from the wage curbs will be used to reduce interest rates on export credits.

Corporate taxes and electricity and gas prices for industry are to be lowered. The government will also grant tax cuts on earnings invested in industrial shares and reduce interest rates for credits to industry, the premier said.

Mr. Martens also said devaluation was imperative for reviving the economy.

Meanwhile, sources in Copenhagen said that Denmark's attempts to have the krona devaluated ran into such strong resistance that the plan may have to be dropped.

Denmark said it wanted a 7-percent devaluation if Belgium were allowed to devalue the franc by 10 to 12 percent although it would have preferred to wait for a change of parity until May or June.

According to the sources, a Danish Cabinet meeting was informed from Brussels that none of the other EEC members saw any justification for a major Danish devaluation, and that both West

(Continued on Page 2, Col. 7)



The Salvadoran guerrilla leader known as Alejandro Montenegro, third from left, posed with five other rebel leaders at their encampment near Palo Grande while meeting with U.S. reporters.

Guerrilla Leaders in El Salvador Plan to Expand Armed Struggle

By Warren Hoge

New York Times Service

PALO GRANDE, El Salvador — A top guerrilla commander interviewed in this hilltop rebel stronghold says that the insurgents are resolved to make 1982 the "definitive" year of their armed struggle against the government.

The stepped-up U.S. military assistance of the past year has not produced one "strategic victory" by government forces, and the guerrillas in the same period greatly improved their combat abilities, he said Saturday.

"We're the ones who are now determining the course of the war," said Alejandro Montenegro, the People's Revolutionary Army chief for the Guazapa zone north of San Salvador. "We are already in the definitive phase, and our interest now is to accelerate the war."

The 27-year-old guerrilla leader said the United States was simply prolonging the outcome with its continued military aid. "If the United States withdrew its support, we could topple the junta in a few months," he said.

His side, Mr. Montenegro said, was prepared to seek immediate negotiations. "But," he said, "when the United States in two weeks replaced the six planes we blew up, it obligated us to continue the war."

He said he planned the early morning commando raid three

weeks ago at the Ilopango air base on San Salvador's outskirts that destroyed six U.S.-supplied helicopters and at least 11 other aircraft.

Mr. Montenegro and five members of the area high command were interviewed by four U.S. reporters brought here by rebel guides after an eight-hour, nighttime hike on mountain paths that passed through government-held areas.

A founder of his revolutionary organization nine years ago, Mr. Montenegro did most of the talking for his colleagues, who head the guerrilla forces of the other organizations that make up the Farabundo Martí National Liberation Front. His name and those of the other commanders, Misael Galdamez, Rogelio Martinez, Jaime Beltran, Raul Hercules and Joel Sanchez Bonilla, are assumed ones.

The conversation took place on the back porch of a house. Government troops were only shouting distance away, but they have not challenged the rebels' domination of the Guazapa range of volcanic peaks since a series of seven attacks between last March and August.

As the guerrilla leaders spoke, they tinkered with their rifles, all of which, Mr. Montenegro noted, were American. The men said the weapons were either captured from government forces, bought on the black market or purchased directly from government officers. Israeli Uzis, they said, trade for up to \$1,700 and M-16s and G-3s for as much as \$2,000.

Asked if some of the arms did not come from Cuba and Nicaragua, as U.S. officials have charged, (Continued on Page 2, Col. 1)

Sanctions Issue Splits Officials In Washington

By Bernard Gwertzman

New York Times Service

WASHINGTON — Differences between the State and Defense departments over what to do about future Western sanctions against the Soviet Union in response to the Polish crisis have run so deep that both sides have agreed to submit the matter to President Reagan for a decision, administration officials say.

Officials in both the State and Defense departments said Saturday that the continuing debate had delayed the departure for Europe of a special team headed by James L. Buckley, undersecretary of state for security assistance, science and technology, to discuss sanctions issues with the allies. They said there was no point in Mr. Buckley opening talks with the Europeans before the administration had settled its own differences first.

Administration officials said that originally the Buckley mission was to have left Washington over the weekend. They did not know when Mr. Reagan would be able to focus on the issue but expected it would be brought to him by midweek or later.

The issue is how far the United States should pressure its allies into adopting economic sanctions against the Soviet Union, and in particular, what steps should be taken to down the construction of the \$10-billion Soviet pipeline project that is supposed to supply Western European countries with Siberian natural gas.

Specifically, there is what is described as "a bitter" dispute over whether the United States, having banned American firms from taking part in the pipeline project, should also try to stop subsidiaries of U.S. companies from participating, even if foreign governments approve their taking part.

Haig's Reasoning

Secretary of State Alexander M. Haig Jr. and his chief aides assert that they oppose the pipeline because it could lead to too much Western dependence on Soviet energy supplies. But they say that since the Europeans, particularly West Germany and France, are determined to go ahead with the pipeline project, which will provide jobs and industrial exports to their hard-hit economies, it makes no sense to try to pressure the allies into halting the project or in seeking to stop American subsidiaries from taking part.

"There is no point in making this pipeline issue one which is going to lead to a crack in the alliance at a time when alliance unity is essential to our strategy of putting maximum pressure on the Soviet Union and Poland," Robert D. Hormatz, assistant secretary of state for economic and business affairs, said last week.

He said the project was "very far down the road" and there was no point in "rupturing the alliance" over it.

The State Department view is that it might be more productive to urge the allies to agree on limits on future credits to the Soviet Union. The United States was particularly stung by the decision of French banks recently to finance Soviet purchases of French equipment for the pipeline at rates of about 7.5 percent interest, about half of the prevailing rate in France today.

Mr. Haig said last Sunday that (Continued on Page 2, Col. 4)

Poland Drafts Restrictions For Unions

By Bradley Graham

Washington Post Service

WARSAW — The Polish government issued a draft paper Sunday for the reorganization of the country's trade union movement that explicitly prohibits unions from engaging in political activities and bans them from organizing by territorial units, as Solidarity was.

The paper is intended to serve as the basis for a national discussion that authorities say will precede final passage of an official trade union bill.

It is still unclear to what extent Solidarity leaders now interned will be able to participate in the debate, or how long the discussion is to last. Government officials have indicated, however, that they intend to ignore comments by political extremists, a category into which many of Solidarity's unrepentant leadership are placed.

The Communist Party has announced a meeting this week intended to rescue it from its eclipse under martial law and restore it to a role of visible leadership, Reuters reported Sunday from Warsaw.

The central committee, sitting Wednesday, will discuss the future of Gen. Wojciech Jaruzelski as party leader and how long military rule should last, party sources said. It will also assess the extent of opposition to the authorities and what sort of trade union structure Poland should have.

[The session will be followed Friday by a meeting of Parliament to discuss economic reforms and corruption trials.]

Sunday's document asserts that the government does not intend to force any specific idea of rearranging the trade union movement on the Polish people, promising that the "voice of every honest working man should be heard clearly and firmly."

At the same time, it plainly states that the way the independent trade union Solidarity functioned was unacceptable and that some fundamental changes in the union's charter will be necessary before it will be permitted to operate again.

The draft, by a special government committee headed by Deputy Premier Mieczyslaw Rakowski, a relative moderate, says it expects to see a trade union movement evolve that lies somewhere between the old branch unions, which were created by a large majority of Polish workers in the summary (Continued on Page 2, Col. 8)

Syrian Tanks Reported To Be Leveling Hama

By John Kifner

New York Times Service

DAMASCUS — Syrian tanks are methodically leveling vast areas of Hama, the nation's fifth largest city, as they continue to battle rebels led by Moslem fundamentalists, according to residents who have escaped from the besieged city.

Thousands of people — no one can accurately estimate how many — are believed by diplomats here to have been killed or wounded in the fighting that has now stretched on for nearly three weeks.

Tanks, backed by artillery and as many as 12,000 troops, Ba'ath Party militiamen and plainclothes intelligence officers, have reduced much of the ancient quarters of the city to rubble, according to accounts dribbling out to diplomats and Western journalists here.

One young man smuggled out of the city Tuesday said the stench of rotting corpses hangs over the city, with bodies buried under collapsed buildings and the dead and wounded lying unattended in the streets because of the heavy fighting.

Many residents have not been out of their homes for more than two weeks because the troops are shooting at anything that moves, the man said, in an account similar to those pieced together by the diplomats at at least six embassies here.

The government has declined to give details of the operation. The minister of information, Ahmed Iskandar Ahmed, has described the reports circulating among diplomats as the "stuff of dreams."

The fighting is the largest uprising in the 12-year rule of President

Hafez al-Assad, but diplomats here believe that the president backed by his brother, Rifaat, still commands a security apparatus capable of keeping tight control of the country.

Nevertheless, the diplomats say, the regime appears faced with a determined opposition in the outlawed, fundamentalist Moslem Brotherhood organization that could serve as a spearhead to other discontented, but unorganized, elements of society.

The fighting in Hama, diplomats say, was sparked by long-simmering resentment of the Alawite-dominated regime of Mr. Assad among the Sunni Moslem majority and is taking place in a city with a reputation as both a center of Sunni orthodoxy and as a thorn in the side of the central government.

Accounts pieced together from diplomatic reports and the accounts of residents indicate that the fighting began Feb. 2 when 300 or more regular Syrian soldiers of a heavily Alawite unit stationed near Hama tried to raid a Moslem Brotherhood arms cache.

The unit was surrounded and wiped out as it attacked the hideout, according to the accounts. A Western diplomat said he monitored a military radio broadcast reporting 300 deaths among the soldiers.

With a call to rebellion from the minarets of the mosques, the fighting spread. Residents attacked government and Ba'ath Party buildings and killed party members and security officers. The government sent in more troops, including units commanded by Rifaat Assad. The fighting has continued ever since.

Sihanouk, Khmer Rouge Set Coalition Terms

By Christopher S. Wren

New York Times Service

PEKING — Khieu Samphan, the premier of the deposed Khmer Rouge regime in Cambodia, and exiled Cambodian Prince Norodom Sihanouk reported Sunday that they had reached agreement on some preliminary conditions for a coalition to oppose the Vietnamese-backed regime in Phnom Penh.

The Chinese news agency quoted the two men as saying they hoped that Son Sann, the leader of the third resistance group in Cambodia, would come to Peking soon to join them in a tripartite conference that could lead to cooperation in fighting the Vietnamese in Cambodia and ultimately the formation of a coalition government.

China has agreed to host such a

tripartite meeting at the request of the members of the Association of South East Asian Nations.

The ASEAN members want to see the three main guerrilla factions in Cambodia resolve their political differences and form a coalition that could mount a more effective resistance.

Prince Sihanouk, a former Cambodian chief of state, has been living in Peking for several weeks as a guest of the Chinese government.

Last Thursday, he met with Chinese leader Deng Xiaoping for what was believed to include a strategy session on the Cambodian situation.

Mr. Khieu Samphan arrived here Saturday evening for the meeting with Prince Sihanouk. However, Mr. Son Sann, a former premier under Prince Sihanouk who now leads an anti-Communist

guerrilla force, has not yet agreed to come.

After a meeting Sunday, Prince Sihanouk said he had sent a telegram to Mr. Son Sann urging that he attend the meeting and that Mr. Khieu Samphan had supported his request.

The Chinese news agency quoted Prince Sihanouk as saying: "If there are differences among us, it is precisely the reason for us to meet and discuss our viewpoints. We hope that Son Sann will take into account our wish and come here as soon as possible."

The agreement announced after Sunday's meeting included these three points:

• If a tripartite coalition is formed, it should offer a "minimum political program."

This appeared designed to give such a coalition an identity beyond simple

resistance to the present regime of Heng Samrin in Phnom Penh, without committing it to a particular ideology.

• Such a tripartite coalition government, if eventually formed, should be within the legal framework of the deposed Pol Pot regime, which is still recognized as a member of the United Nations.

This appeared aimed at claiming international legal status as the legitimate government of Cambodia.

• The three resistance parties represented by Prince Sihanouk, Mr. Khieu Samphan and Mr. Son Sann would each retain their "full autonomy, their freedom in ideology and way of thinking." But if a coalition government were formed, they would observe common rules, rights and duties in order to cooperate and present a harmonious united front.

Haig's Leaked Comments: A Grim View of Mideast, Allies and Russia

By Bob Woodward

Washington Post Service

WASHINGTON — It is 8:30 on the morning of Jan. 18, Secretary of State Alexander M. Haig Jr., at the head of the table in his seventh-floor State Department conference room, is speaking. This is his regular senior staff meeting, and he is reviewing a four-day trip he just completed in the Middle East. The picture he paints of U.S. prospects in that region is grim.

Despite his public optimism over the continuation of the Camp David peace process after Israel's scheduled April return of the Sinai to Egypt, Mr. Haig has come back convinced that once the Sinai transfer takes place the delicate web that ties Israel and Egypt together will unravel quickly, and Washington will be the loser.

"Egypt will go back in to [the] Arab world with [the] U.S. isolated as Israel's sole defender," Mr. Haig says, according to notes taken by one participant at the meeting.

That is a much grimmer assessment of U.S. prospects in the Middle East than Mr. Haig has ever given publicly or even as the anonymous senior official traveling on his airplane.

Noting that his efforts in travels throughout the region should not be misinterpreted as a repeat of Secretary of State Henry A. Kissinger's shuttle diplomacy of the early 1970s, Mr. Haig says, "I didn't go over to pull a rabbit out of the hat a la Kissinger."

This secretary of state is not putting on Kissinger's fedora.

Notes taken by one of the per-

sons present at nearly two dozen regular senior staff meetings over the last year have been obtained by The Washington Post and verified, as to general content, with two other participants.

Incomplete Picture

There are dozens of meetings, perhaps as many as 100, for which The Post does not have the notes, so the picture that emerges is incomplete.

Those who usually attend the regular weekly morning meeting include the deputy secretary of state, the four undersecretaries, the

assistant secretaries for congressional relations and public affairs and the heads of various offices, such as intelligence. In addition, several members of Mr. Haig's personal staff are regularly there.

One official — not the person who took or supplied the notes — in regular attendance at these meetings over the last year said Mr. Haig's 10- to 15-minute morning meeting was at times referred to among some staff members as Mr. Haig's "psychiatric hour," a time for him to unload frankly and confidentially.

These notes record many of Mr.

Haig's private and apparently candid pronouncements on the serious foreign policy issues of the day.

During these conversations with his top staff members, Mr. Haig makes many statements previously unknown to the public on topics ranging from the Middle East, the Soviet Union, European allies, the United States, China and Poland to Mr. Haig's difficulties in dealing with White House decision-makers, conservative ideologues in the Republican Party and the latest news leaks.

In all, the notes provide a behind-the-scenes portrait of a secretary of state who talks even tougher in private than in public.

On Oct. 15, for example, Mr. Haig calls the British foreign secretary, Lord Carrington, a "duplicitous bastard" for his handling of a Middle East matter.

The notes show Mr. Haig as a man who is knowledgeable and deeply concerned about foreign affairs, possessed of a cynical view of the Soviet Union and desiring continuity in U.S. foreign policy with adherence to previous commitments.

The notes also show Mr. Haig's admiration for Mr. Reagan's ability to charm and influence others.

In the Oct. 15 meeting, after receiving a pessimistic forecast on the chances of winning congressional approval of the proposed U.S. sale of airborne warning and control system aircraft to Saudi Arabia, Mr. Haig says of the prospects for success: "The only way is presidential one-on-one."

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Former Premier Charles Haughey of Ireland waves at a vote-counting center in Dublin. His Fianna Fail Party took 81 of 166 seats, but he declared he would form the next government.

Irish Election Proves Indecisive; A Weak Coalition Is Likely Result

By Leonard Downie Jr.

Washington Post Service

DUBLIN — Ireland's second indecisive national election in eight months has again left the country uncertain about who will form its next government or how long it will last, making it more difficult to take decisive action to deal with a worsening economic crisis.

Opposition leader Charles Haughey, whose Fianna Fail party won 81 of the 166 seats in the Irish parliament, still appeared most likely Saturday to form a government with the support of some minor party and independent members of the new parliament when it meets March 9 to choose a premier.

But Premier Garret FitzGerald, whose coalition of the Fine Gael and Labor parties held only 78 seats, said he still hoped to win over enough parliamentary inde-

pendents to stay in power. He also would have to overcome resistance of some Labor Party leaders to rejoining in coalition with his larger Fine Gael party because of disagreements over economic policy.

With tabulation of Thursday's voting finally completed Saturday night in Ireland's complicated system of proportional representation, 63 seats were won by Fine Gael and 15 by Labor. Seven were won by minor party candidates and independents, the majority of whom are Socialists to the left of Labor.

Countering a confident declaration by Mr. Haughey, who was premier from 1979 until last June, that "I will form the next government," Mr. FitzGerald said Saturday, "I consider I have an even chance of being prime minister."

Their positions were reversed from last June's national election,

in which Mr. FitzGerald's coalition won 80 seats to Fianna Fail's 78 and succeeded in forming a shaky government with the support of parliamentary independents. The government was brought down last month when they deserted Mr. FitzGerald over his harsh, tax-raising proposals to reduce dangerously large budget deficits and foreign debts.

Mr. Haughey offered voters an alternative budget that would be less painful for most Irish families, eliminating unpopular taxes on clothing and milk price increases that Mr. FitzGerald had proposed.

But many economists and politicians, including some in Mr. Haughey's own party, argued that his budget would do too little to reduce budget deficits that could force the Irish government this year to borrow the equivalent of 17 percent of Ireland's national income.

A number of Irish politicians also warned Saturday that the election outcome could prolong the political instability in Ireland that began with last June's election. Disagreeing with Mr. Haughey's contention that the election result "was not a stalemate" and that he would be able to govern for the next four or five years, they questioned whether the next government would be able to stay in power very long or push unpopular economic measures through parliament.

"What's really needed is a government that's not going to be worried about its situation" in parliament, said Fine Gael member of parliament John Kelly, trade minister in Mr. FitzGerald's coalition. In an Irish radio panel discussion of the political crisis, he said that Mr. Haughey, like Mr. FitzGerald during the past seven months, "will need votes from independents for everything from procedural votes to major policy decisions like the budget."

Irish economists have warned that progress made during Ireland's economic leap forward during the 1960s and 1970s in developing high-technology industries and raising living standards could be threatened by the Irish government's big budget deficits, a burgeoning foreign debt, an inflation rate over 20 percent and an unemployment rate approaching 13 percent.

Irish government policy toward neighboring British-ruled Northern Ireland also has been clouded by the election outcome. Both Mr. Haughey and Mr. FitzGerald have worked closely with the British government to improve Irish-Ireland border security and improve relations between Britain and Ireland in ways that might eventually help solve the Northern Ireland problem.

Bus Service Threatened

SAN SALVADOR (Reuters) — Bus owners in El Salvador have threatened to shut down their services because leftist guerrillas are destroying their vehicles.

A spokesman said Saturday that the bus owners would halt services within days unless the government boosted their security and paid for the damage. He said more than 900 buses had been destroyed and not replaced from a fleet of 4,400 buses.

Drivers also have said that guerrillas had been stopping them on inter-city routes and threatening them with violence if they continued the services.

Reagan Said to Reject A Loan to Bucharest

By Lou Cannon

Washington Post Service

WASHINGTON — President Reagan has rejected a \$65-million commodity credit loan for Romania over the objections of the State Department and the Department of Agriculture.

Well-placed administration officials say the president turned down the loan, which would have been used to buy corn and soybean meal, to prevent exposing the U.S. government to the kind of risks it now faces as a result of uncollected debts in Poland.

"If they can't pay their bills, let's not extend them credit," is the way one official characterized the president's attitude.

Mr. Reagan's decision to make good on Commodity Credit Corp. guarantees to private U.S. banks with unpaid Polish loans has become a major political embarrassment for the administration. Unpaid U.S. government loans and loan guarantees to Poland total more than \$1.9 billion.

Conservative critics of the administration, including several prominent congressmen, have said that the United States is bailing out the Soviet Union by paying interest on the Polish loans.

The president said at his news conference Thursday that paying Polish interest was necessary "because default would mean great financial hardship for a great many people and a great many institutions here in the West."

Mr. Reagan also said that default "would simply throw Poland more dependent on the Soviet Union and we would rather have that not happen."

What Mr. Reagan did not say

was that he had acted the day before on the Romanian issue in an effort to prevent a recurrence of the Polish situation in that Soviet-bloc country. Private banking sources have said that Romania already is in arrears to Western creditors by about \$1 billion and could fall further behind if more sources of funds are not found quickly.

Treasury Information

In turning down the Romanian request for a loan guarantee, the president acted on the basis of information from the Treasury and the Office of Management and Budget, which said that Romania probably would be unable to repay the loan. This in turn would put the United States in a position similar to that which it is in now with Poland, Mr. Reagan was told.

But the State Department, which values Romania's relative independence from Moscow on foreign policy issues, and the Agriculture Department, pushing hard to dispose of surplus U.S. grain, urged approval of the loan.

Mr. Reagan said at his news conference that American farmers had been hard hit by the cost-price squeeze. "We're doing everything we can to stimulate foreign markets for them," he added.

The divided counsel given to Mr. Reagan on the Romanian loan reveals some of the conflicting pressures operating within the administration.

A U.S. official pointed out that the stakes for the United States are not as high in Romania, which has one of the most rigid political and economic systems in Europe, as they are in Poland, where significant liberalization had occurred before martial law was imposed.

Issue of Sanctions Divides State Department, Pentagon

(Continued from Page 1)

in his view the Buckley group should "focus on future credits." "If one wants to be effective in the sanctions area, against the Soviet Union today, the area of greatest pay-off is future credits," he said in a television interview. He repeated the same remarks on Friday during an appearance before the AFL-CIO executive council in Bar Harbor, Fla.

Pentagon's View

Pentagon officials, however, believe that at the risk of alienating the allies the United States must be willing to order the subsidiaries of American companies to abide by the curbs on sales of equipment announced at the end of December by Mr. Reagan in response to the Polish crackdown.

Defense Secretary Caspar W. Weinberger, in a statement released by the Joint Economic Committee of Congress Saturday as part of a report on the pipeline project, said the Polish crackdown "is one of those times when, in order to assert leadership and strengthen security, unilateral initiatives to implement sanctions became necessary."

He was referring to the decision at the end of December to announce some sanctions even before there had been time for consultation with allies. Pentagon officials say that remains their basic position.

State Department officials said that in addition to seeking curbs on foreign credits to the Soviet

Correction

Pope John Paul II was incorrectly quoted, in a New York Times story, in late editions of the Saturday-Sunday International Herald Tribune as saying, "Martial law has existed since September" in Poland. He had said December.

Union, the United States should also discuss with the allies during Mr. Buckley's mission the possibility of sharply reducing Soviet exports to the West.

The State Department reasoning is that the Soviet Union faces a severe hard currency squeeze in coming months and that anything the West does to limit the amounts provided the Russians will put pressure on them to ease the situation in Poland.

The trouble is that European countries, which have significantly greater industrial exports to the Soviet Union than the United States, are still interested in encouraging the Soviet trade to enhance their own industry.

The issue of future sanctions has become an acrimonious one in Washington, with various groups taking different sides of the issue. The AFL-CIO Executive Council, for instance, has called for a total embargo against the Soviet Union, including the sale of grain, as have some conservative columnists and political groups.

But because of hardships in the U.S. agricultural sector now, the mood in Congress is strongly against any further sanctions that would include grain, which makes up about 75 percent of American exports to Russia.

Mr. Haig said Friday that because other grain producers were unlikely to join in an embargo, an American curb on grain sales would be "self-defeating and sterile."

The labor organization also is extremely critical of the allied refusal to take more than token steps against the Soviet Union. Mr. Haig said on Friday that the union in the West has been unusually strong during the current crisis but "if we could all of our time criticizing Western action, then the United States will 'risk turning a profound Eastern failure into a Western failure.'"

Guerrillas in El Salvador Plan to Expand War Effort

(Continued from Page 1)

Mr. Montenegro replied: "We think that is a political problem because the government of the United States is interested in having a political justification for intervention." Only one of the six men interviewed said he had been to Nicaragua, and none admitted having gone to Cuba.

Mr. Montenegro's confident predictions of the guerrillas' capacity came at a time when Salvadoran military officials and U.S. authorities were admitting that the war is going badly for the government.

A year ago the failure of the rebels' "final offensive" seemed to indicate that their movement was not taking hold. However, President Jose Napoleon Duarte said recently, "We are losing the fight with the guerrillas in the countryside." And the defense minister, Gen. José Guillermo García, has told visiting U.S. congressmen that the army cannot win without an enormous increase in U.S. aid, including fighter jets and more than 180 helicopters.

Change in Terminology

Mr. Montenegro's analysis began with the failed insurrection 13 months ago which, judging from his terminology, is now being called the "January offensive" rather than the "final offensive."

"We had comrades then who couldn't tell the difference between a rifle and a machine gun," he said. He argued that the experi-

ence showed them how undertrained they were and actually served a positive purpose. "It was a way to open up a wider war. The guerrillas had now contested the power" of the government, he said.

In the next six months, he said, the guerrillas entered a retraining phase and decided to change their rural hideaways into "real refuges" where they could set up secure permanent bases and implant their social ideas with the local population.

The commanders present said they all favored a democratic and pluralistic society in El Salvador. Mr. Bonilla, the Communist Party representative, was asked how he could square this pledge to respect private enterprise. He said, "In this sector too, there are democrats who are for peace."

Bus Service Threatened

SAN SALVADOR (Reuters) — Bus owners in El Salvador have threatened to shut down their services because leftist guerrillas are destroying their vehicles.

A spokesman said Saturday that the bus owners would halt services within days unless the government boosted their security and paid for the damage. He said more than 900 buses had been destroyed and not replaced from a fleet of 4,400 buses.

Drivers also have said that guerrillas had been stopping them on inter-city routes and threatening them with violence if they continued the services.

Leaked Notes on Haig Comments Give Grim View of Mideast, Allies

(Continued from Page 1)

spend money." Given his earlier experience as head of United Technologies Corp., Mr. Haig says the "private sector is fed up. Need to set up government apparatus and private sector will follow if it is there," and too frequently all the talk amounts to a "pie in the sky" that has no meaning.

● Mr. Reagan's staff (March 12): "Unbelievable maze in the White House," and (Oct. 15) when Mr. Haig wants to recommend some changes in an coming presidential speech: "Most unbelievable way to do business. Don't know who to call."

● On the draft of the speech Mr. Reagan was scheduled to give in Philadelphia (Oct. 15): "We have to drive out the arrogant, belligerent tone of speech." He again called the draft "the height of arrogance," adding that the news media would tell Mr. Reagan if the State Department didn't. The speech as delivered later that day seemed to have none of the tone to which Mr. Haig referred.

● On intelligence (Feb. 19, 1981): Under President Jimmy Carter there was a "conscious cas-

tration of America's eyes and ears around the world."

● Strategy (March 27): "When crisis occurs, that is the time to move with other issues," and in such a crisis "legislative obstacles tend to crumble."

● News leaks (June 6): "One big fat pain in the ass," and on Nov. 9, "Too much staff coming out of the department... Too much access by muckrakers... Any time they want a comment, they get it... Suggest you bear down on this. I want to show the great Washington press corps that we are disciplined. No objectivity in exercise of the press. Bottom line is always the fellow who wants to talk the longest and loudest."

● On the Middle East: At the Jan. 4 meeting Mr. Haig says the "French can't produce enough arms to satisfy the Arabs... It's a disaster. Egypt is slipping back into [the] Arab world, don't want autonomy discussion on the Palestinian question"... French are [the] catalyst. Saudis [have] an arrogant mentality that is absolutely devastating." Overall, Mr. Haig said the dangerous Middle

East situation "comes from kicking Israel in the ass."

During the Jan. 18 meeting, the issue is U.S. relations with Israel and the Arab states. "I don't want any reflection that we are soft on prior commitments. Only message we can give. Constant run at that principle is disturbing me to no end."

Also in the Jan. 18 meeting, when Mr. Haig was discussing his Middle East trip, which he described as "fact-finding to determine realities on ground," he said that before going, "My nose told me that a post-Sadat Egypt was going to be very different."

"Only thing keeping Egypt from going back to pre-peace treaty stance is the Sinai territory return. Whole atmosphere [in Cairo] 180 degrees different from last May," during an earlier Haig visit when President Anwar Sadat was still alive.

The new situation under President Hosni Mubarak, Mr. Haig said, "has led to paranoia in Israel. With Arab resources and Europeans panicking for military sales we need to keep Egyptians engaged in peace process... If no hope, then we need to reassess our relations with the region."

Since this meeting, Mr. Haig has visited Egypt again and Mr. Mubarak has been in Washington to speak with Mr. Reagan. An informed official, not the person who supplied or took the notes, said last week that relations with Egypt are somewhat better but that Mr. Haig's assessment still holds.

● On the peacekeeping force in the Sinai: When Mr. Haig called Lord Carrington a "duplicitous bastard" on Oct. 15, the notes show he was speaking about the Multinational Force and Observers, or MFO — the peacekeeping force in the Sinai. The British ap-

parently were claiming that the Saudi Arabians were putting some kind of pressure on them.

Mr. Haig said: "European friends, in late editions of the Saturday-Sunday International Herald Tribune, have been saying MFO. Saudis never pressured British or Europeans on MFO."

● On Poland: Poland was the most dominant foreign affairs issue in the last year, and Mr. Haig made many comments about it at these senior staff meetings. On Feb. 17, Mr. Haig commented the Polish situation there as "grave-critical point on Sunday." Overall, he predicted "dramatic change [is] imminent and internal suppression is coming."

By May 7, Mr. Haig said: "Polish situation will get worse before better... The crisis may be a little before the July Party Congress." This was one of the times when the administration was expecting a Soviet invasion of Poland.

Mr. Haig said that the Polish situation with a developing crisis in Lebanon, where Soviet-backed Syrian troops were on the verge of a battle with Israeli-backed Lebanese Christians. Mr. Haig said: "Dust off the Polish contingency with an eye to linkage with Lebanon. The USSR might manufacture a Lebanon crisis to cover Polish move."

The crisis finally did occur on Dec. 13 with the imposition of martial law, and Mr. Haig told his staff two days later (Dec. 15): "All of Europe is concerned. French toughest on Poland. Germany schizophrenic. British are very British..." He also said he did not accept the argument that the move by the Polish government was a "pre-emption of Soviets." Of that argument, he said, "nothing could be more specious."

Later in that meeting he said, "We have to bring allies around if we're going to have Europeans side with Russians." Mr.

Haig also said he would try to get a statement of support from West German Chancellor Helmut Schmidt, and that both he and the president would "play up" the West's action, then the United States will "risk turning a profound Eastern failure into a Western failure."

Mr. Haig said at the Jan. 18 meeting that the speech should include something about terrorism. "Libya, Central America, areas where we can be tough. Same people who led this country to sophistry vis-à-vis détente, East-West, now criticize president for being soft on Libya, Central America. Leads you to question whether they are interested in national interest or their own."

Officials at the meeting said this was a clear reference to Mr. Kissinger. On Libya Mr. Haig said that it might be "time to go to Phase II," which one official said is a plan to cease buying that country's oil. "Early February Americans will be out of Libya. Time to consider another exercise" similar to the naval maneuvers last fall, which were followed by the U.S. action of shooting down two Libyan planes.

At his staff meeting Feb. 5, Mr. Haig proposed naming a person to oversee all matters relating to the lesser developed countries. He said, "I want to move into the Third World with both feet... golden opportunity this year."

Amid the flashes of anger, frustration and, just, the Haig staff meetings also have their humor. Last March 27, just after Mr. Reagan had selected Mr. Bush to head the administration's crisis management efforts, Mr. Haig was clearly unhappy, and had said publicly that he felt a "lack of enthusiasm" for the selection, an assignment he had hoped to get for himself.

That morning he told his staff that he had "surpassed Henry's [Kissinger's] record of threatened resignations in a 24-hour period."

Replied Lawrence S. Eagleburger, an assistant secretary of state and former top aide to Mr. Kissinger: "You weren't even close."

WORLD NEWS BRIEFS

Fighting Dies Down in Lebanese Port

Reuters

BEIRUT — Three days of heavy fighting between rival factions in the port city of Tripoli in northern Lebanon came to a gradual end Sunday, Beirut radio said.

Hospital and security sources said at least 18 persons were killed and 40 wounded in the fighting, which followed a week of sporadic shooting. Tripoli residents said the main groups involved were a local Sunni Moslem organization called the Popular Resistance and the Arab Democratic Party, which is pro-Syrian.

Druze Strike Enters Second Week

Washington Post Service

JERUSALEM — The Druze communities in the Golan Heights were paralyzed Sunday as protests against Israel's annexation of the Syrian territory entered their second week.

Druze sources said that only about 30 of the approximately 3,000 Druze workers showed up for work at Israeli settlements in the Golan Heights and in businesses in Upper Galilee, and that all of the Druze shops and schools remained closed for the eighth day. The Druze are a splinter sect of Islam.

A pro-Syrian Druze said that families were stockpiling large quantities of food for a lengthy strike. Some Druze leaders complained that Israeli authorities were pressuring Druze residents to accept Israeli civilian identity cards in place of those previously issued by the military government and were refusing to register the births of Druze children whose parents did not hold the cards.

Third World Talks to Open in India

Reuters

NEW DELHI — Senior officials of 44 developing countries will meet here Monday to discuss ways of persuading industrialized nations to provide more aid and to liberalize trade with the Third World.

Indian Prime Minister Indira Gandhi will open the three-day, closed-door meeting that will try to find ways to make poor nations less dependent on rich countries through the sharing between poor states of wealth, trade and technology.

Mr. Gandhi has called for more self-reliance among developing countries and has described the Third World's economic situation as gloomy. Many African and Asian nations will attend the meeting, but Saudi Arabia declined an invitation, saying the date was unsuitable.

Pope Will Visit Spain in October

The Associated Press

CASTEL GANDOLFO, Italy — Pope John Paul II, still resting from a tiring eight-day African tour, announced Sunday that he would visit Spain in October.

The pope made the announcement to about 5,000 visitors gathered in the central courtyard of his hilltop retreat 15 miles (24 kilometers) south of Rome. He said the visit would be linked to ceremonies marking the 400th anniversary of the death of St. Theresa of Jesus, the 16th-century mystic who founded an order of nuns bearing her name.

The pope is also planning to visit Britain and Switzerland this year and would like to go to Poland in August if the political situation there allows.

Juan Carlos's Actions Questioned

Reuters

MADRID — The position of King Juan Carlos I has been called into question at the court martial of officers implicated in last year's attempted military coup. The king, meanwhile, spoke out strongly in favor of Spanish democracy in an appearance at a military academy.

In testimony read in court, Lt. Col. Antonio Tejero Molina, the Civil Guard officer who led the assault last Feb. 23 on the Cortes (parliament), said that a former tutor of the king claimed during the parliament siege to have been ordered by Juan Carlos to head a new government. The former tutor, Maj. Gen. Alfonso Armada Conyza, has denied any such contact with the king.

The king, speaking at the Saragossa Military Academy Saturday, called on the military "to respect and defend the laws, to comply with them intransigently so that justice shines through and order and peace is maintained." He did not refer directly to the trial.

Regional Party Backs Schmidt on U.S. Arms

By John Vinocur

New York Times Service

BONN — The Social Democratic regional party organization in West Berlin has given clear backing to Chancellor Helmut Schmidt's policy on the possible deployment of new U.S. nuclear missiles in West Germany.

A motion of support was approved Saturday at a special meeting in West Berlin, reversing a series of defeats for Mr. Schmidt on security issues in other western congresses. The missile issue will be a focal point of a special convention in April of the Social Democrats, the chancellor's party.

The meeting in West Berlin also rejected a resolution from the party's left wing that called on the government to abandon its backing for deployment of Cruise and Pershing-2 missiles in West Germany if there were no positive results from negotiations on intermediate-range missiles now under way in Geneva between the United States and the Soviet Union.

The regional group also asserted that friendship and cooperation with the United States was "the cornerstone of the Western alliance."

The West Berlin group was one of the last of the 22 Social Democratic regions to vote on the motions to be presented at the national conference. A clear picture of the decisions of the regional organizations is difficult to draw, however, because the phrasing of their own.

EEC Debates Devaluations

(Continued from Page 1)

Germany and Britain had told Danish Minister of Economy Ivar Nørgaard that they opposed a devaluation of the krona at all at this time.

More realistically, Mr. Nørgaard had expected to win approval for a 4-percent devaluation, the sources said. But even that was rejected by the other EEC ministers, they added.

According to the sources, none of the other delegations would accept a Danish devaluation by more than 2 percent. The political sources said a minor devaluation would make it hard for the minority Social Democratic government to follow up with the anti-inflationary measures — a brake on wages and prices — that could help retain Danish competitiveness on international markets.

France and Italy said they could accept only a 6-percent devaluation for Belgium and would not accept any devaluation for Denmark, sources said. The two countries led the fight against Belgium's request for a big devaluation at an inconclusive eight-hour meeting Saturday of the EEC Monetary Committee, diplomatic sources said.

Jaruzelski to Visit Moscow

MOSCOW (AP) — Gen. Jaruzelski will visit the Soviet Union in early March, Tass said Sunday.

It will be his first trip to Moscow since he declared martial law Dec. 13. No date for the visit was announced.



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White House Playing for Time to Win Fight Over Budget

By Howell Raines Jr.

New York Times Service

WASHINGTON — The White House, conceding that President Reagan currently lacks the votes in Congress for passage of his 1983 budget, has decided to try to prolong the budget debate into the fall, if necessary, to reduce the pressure on Mr. Reagan to alter his economic proposals.

This new strategy of delay has been devised, White House officials concede, because the decline in the economy has robbed Mr. Reagan of his ability to bulldoze his program through Congress as he did last year. Indeed, these officials say the administration is bracing for losses of Republican seats in the 1982 congressional elections and has abandoned its hopes of winning control of the House this year because of the political impact of the recession.

"If we don't see an upturn, anything less than a 38-seat loss should be seen as a major victory for us," said a White House official closely involved in planning Mr. Reagan's political strategy.

These points, outlined by the official on the condition that he not be identified, reflect the somber mood that settled over the Reagan

team after the bipartisan congressional revolt against the president's budget. Several Reagan advisers confirm that this pessimism and caution has been deepened because private White House polls show declining public support for Mr. Reagan's policies.

The White House strategy of delay on the budget contrasts sharply with its congressional tactics in 1981. A year ago, Mr. Reagan used his personal popularity to muscle both his budget and his tax-cut legislation through Congress. Now, his advisers believe that his popularity and his clout with Congress could be badly damaged unless the current recession bottoms out by midyear.

'Strategy of Patience'

The new strategy, which Reagan advisers prefer to call "a strategy of patience," is designed to buy time for the president in the hope that the economy will deal him a stronger political hand, while his congressional critics wear themselves out battling over an alternative budget.

The president is now under intense pressure to reduce the projected \$91.5-billion deficit in the fiscal 1983 budget by delaying the 10-percent cut in income taxes

scheduled for this year and by cutting military spending. But White House aides say this would amount to a "fundamental retreat" on the economic recovery program that is the centerpiece of the Reagan presidency.

Mr. Reagan's advisers, noting that the law does not require passage of a budget resolution until Sept. 30, believe that by stretching out the congressional debate for up to seven months, they can reduce the pressure on Mr. Reagan to alter his tax or defense proposals. "They're going to flap around up there," said an administration official, "and they're not going to be able to reach a consensus for a long time, and we have that time."

In this interim, according to the Reagan plan, members of Congress will have to duplicate the decision-making process that led Mr. Reagan to endorse the high deficit.

"The majority of people on the hill are saying this budget won't fly," said a Reagan adviser. "We've been through that debate down here for months. The president came down on the side of larger deficits than he would like as the best alternative."

But cutting defense or increasing taxes. Once the Congress has to sit

down and face those choices, we think that many of them will coalesce behind that budget. This might take several months."

There are two points of vulnerability in the White House plan. One, Mr. Reagan's advisers concede, is that to delay passage of the budget resolution, the administration must get Congress to approve a new debt ceiling. Such a measure, which is likely to come up for argument in April, would allow the government to borrow money to continue its operation pending passage of the budget measure.

"That is a hurdle we have to get over," a Reagan adviser said.

There, the dynamic switches in favor of Congress, "and they can start forcing the action up there." The White House must figure out a way to win passage of a higher budget ceiling while preventing a vote on this issue from emerging as a major test of strength on economic policy. The Reagan aide said the White House has not yet developed a tactical plan for this fight.

The second point of vulnerability is given so much time, Democrats and nervous Republicans might coalesce around an al-

ternative plan instead of the president's budget. Already, Sen. Howard H. Baker Jr., Republican of Tennessee, the majority leader and a firm friend of the White House, has spoken well of the budget alternative proposed by Sen. Ernest F. Hollings, Democrat of South Carolina. Sen. Hollings wants to freeze military and social spending at the current level and delay the Reagan tax cut until the deficit declines.

An aide to Rep. James R. Jones, Democrat of Oklahoma, chairman of the House Budget Committee, added that critics of the Reagan budget may welcome the delaying tactic. "If the economic situation continues to slide," said Wilson Morris, spokesman for the Budget Committee, "the White House proposal will be less attractive rather than more attractive, and the Republicans on the Hill will become more and more restless and will seek to distance themselves from the White House."

Dole Urges Action

Sen. Bob Dole, Republican of Kansas, chairman of the Finance Committee, said Saturday that the White House should push the budget instead of delaying it. "If I

were devising a strategy, I would move quickly to get a bipartisan consensus," he said. But, he added, such a consensus is probably impossible unless Mr. Reagan agreed to some change in his plan to increase military spending while cutting taxes.

Bullish Talk

The White House official quoted initially said the president is willing to consider only a compromise that "does not require a fundamental retreat on taxes or defense." But this bullish talk, he added, is balanced by the knowledge that Mr. Reagan's hopes depend on an economic upturn.

White House polls show that Mr. Reagan's personal popularity remains strong. But, the adviser said, "There is no question there is slackening off of program and policy approval."

"We long ago stopped talking about taking control of the House," the aide added in describing the political fallout of this slacking off. In every mid-term election since the Kennedy administration, the party of the president has lost an average of 38 seats, he said, noting that the White House's goal now is simply to avoid that level of disaster.



London Times publisher Rupert Murdoch, right, and aides, John Collier, left, and Bill Gillespie, on their way to a meeting with the printers' delegates over proposed job cuts.

Murdoch Sets Tuesday Deadline For Staffing Cuts at Times Papers

Reuters

LONDON — Rupert Murdoch, the Australian press magnate and publisher, agreed Sunday to a 24-hour reprieve for The Times of London, the 197-year-old journal of the British establishment, which he threatens to close.

Tuesday is now the deadline for agreement on Mr. Murdoch's demands for sweeping reductions in the paper's staff, according to a joint statement issued after all-day talks with union leaders.

Mr. Murdoch has said that will lose £15 million this year. He had demanded that the staff be cut from 2,600 to 2,000 and had said the papers would be closed Monday if the unions did not agree to the reductions.

During Sunday's talks, print-union leaders pressed him to relax his deadline and temper his demands. Questioned by reporters as Sunday's talks broke up, Mr. Murdoch would not say whether he had compromised on his figure for the staff cuts.

The joint statement, read Sunday by Mr. Murdoch, said: "Progress has been made in some areas during today's talks on the future of The Times and The Sunday Times. In view of this, Mr. Murdoch has agreed to a request by the union leaders for an extension of 24 hours for discussions to be brought to a conclusion in all major areas of contention."

"In the event of these talks being successful, a further 24 hours will be given for the resolution of any inter-union matters that may arise."

Scientists Protest Soviet Visa Refusal

The Associated Press

LONDON — Scientists from 13 European countries have sent a telegram to the Soviet Academy of Sciences in Moscow protesting the alleged refusal by Soviet authorities to allow a Jewish professor to emigrate to Israel.

According to the dispatch, copies of which were circulated to the London press, Soviet authorities have refused permission to David Goldfarb, a professor of molecular

genetics, to leave the country, claiming he is in possession of state secrets. The scientists, who include 13 Nobel Prize winners, said they did not believe Mr. Goldfarb had done any secret work. The telegram was signed by 176 biologists and was sent to the academy late Saturday from London, according to Mr. Goldfarb's son, Alex, who emigrated to Israel in 1975. He said his father, 62, has diabetes and is in general poor health.

Nicaragua Fears Exiles In Honduras

By Alan Riding

New York Times Service

TEGUCIGALPA, Honduras — A murky, infertile region near the Caribbean coast, where the Miskito Indians of Honduras and Nicaragua have long lived unmolested, has become the focus of Nicaraguan fears of an exile invasion and Honduran alarm at its neighbor's military buildup.

Nicaragua has charged the that Honduran Army, as well as U.S. and Argentine officials, have promoted a separatist movement among its Miskito population and has encouraged armed bands of exiles to make incursions into its territory.

Nicaragua has sent hundreds of troops to the remote region and has cleared 8,000 to 10,000 Indians from border areas. Announcing the arrest of more than 100 dissident Miskitos Feb. 3, the government said 60 Sandinista soldiers and Miskito civilians had been killed by rightist exiles in recent weeks.

Honduras and Washington have in turn accused Nicaragua of imposing a reign of terror that has forced more than 5,000 Miskitos to flee into Honduras. The Honduran Army has sent a battalion to the region and has asked the United States for communications equipment.

Although Honduran-Nicaraguan relations have been difficult since the Sandinista revolution overthrew President Anastasio Somoza in July, 1979, Western diplomats believe this to be the most serious crisis to date.

National Guard Fled

At the time of the Nicaraguan revolution, about 3,000 members of Gen. Somoza's National Guard fled into southern Honduras, and within weeks sporadic attacks on Sandinista border outposts began.

To date, though, the exiles have posed no major threat to the Sandinista regime. In southern Honduras, local politicians said the Honduran Army turns a blind eye to the activities of rightist exiles living in the region and at times even protects them as they return from incursions into Nicaragua. They estimated the number of armed exiles at under 1,000.

Nicaragua, fearing the exiles could eventually be used to head an invasion backed by the United States, Honduras, Guatemala and Argentina, has built up a 40,000-member army and a 70,000-member people's militia and has acquired Soviet-made tanks and surface-to-air missiles. This has alarmed the Honduran Army.

The Miskito problem has only recently entered into the regional crisis. After the revolution, the Sandinistas committed themselves to integrating the 100,000 or so Indian population, including the Miskitos, into the rest of the country. Almost immediately, the Indians began to resist control from Managua.

Early in 1981 negotiations between the Sandinistas and the Indians collapsed, and the government, saying it had uncovered a secessionist plot, arrested a powerful Indian leader, Steadman Fagoth Muller. The Miskitos responded by occupying a northern Zelaya town to demand Mr. Fagoth's release. When he was freed, he and about 3,000 Miskitos immediately fled into Honduras.

Mr. Fagoth then began cooperating with other exile groups, which provided military training for Miskito refugees encamped near Puerto Lempira, and sought contact with U.S. officials in Miami and Washington. The Sandinistas, in turn, fearing an imminent Indian uprising, began bolstering their troops in the Miskito region.

In December, according to Nicaraguan officials, attacks on Sandinista outposts from Honduran territory suddenly increased, and Sandinista guards were kidnapped.

On Dec. 31, the Honduran Army announced that Sandinista troops had killed 200 Miskitos in Honduras. Ten days later this version was retracted, but Honduran officials insisted a "massacre" had taken place near the border village of Lempira inside Nicaragua. Nicaragua denied any such incident, but missionaries reported many villages across the Coco River, which marks the border, had been burned as part of the Sandinista effort to clear the zone.

First Major NATO Naval Exercise In Gulf of Mexico Is Set for March

Washington Post Service

WASHINGTON — The first major NATO naval exercise in the Gulf of Mexico and the Straits of Florida, between the U.S. mainland and Cuba, will be held between March 8 and 18, according to Pentagon sources.

Planning for the exercise, which will involve 28 ships and 80 aircraft from six NATO nations, is under way at NATO headquarters in Brussels, the sources say. Most of the aircraft will be operating from airfields on the U.S. mainland.

The exercise, called Safe Pass, will take place as the Reagan administration has begun to call attention to what it sees as a threat to allied shipping in any wartime emergency from Cuban or Soviet ships, planes and submarines operating in Caribbean or Gulf waters.

Both Defense Secretary Caspar W. Weinberger and the Joint Chiefs of Staff, in their annual reports to Congress this month on the U.S. military posture, have made a direct link between Cuba and the ability of the United States to reinforce its NATO allies in any crisis in Europe.

"In peacetime," Mr. Weinberger said in his report to Congress, "44 percent of all foreign trade tonnage and 45 percent of the crude oil imported into the United States pass through the Caribbean. In wartime, half of NATO's supplies would transit by sea from Gulf ports through the Florida Straits and onward to Europe."

Because of this, the Joint Chiefs of Staff added, "Cuba would pose a significant threat to U.S. crisis-response capabilities."

In the past, the only NATO operations in this region were carried out infrequently by the five or six ships that make up NATO's so-called standing naval force in the Atlantic. This includes single vessels from the United States, Canada, Britain, West Germany and the Netherlands.

El Salvador Outlines Massive Arms Needs

By Raymond Bonner

New York Times Service

SAN SALVADOR — El Salvador's minister of defense has told a visiting U.S. congressional delegation that his army needs patrol boats, cargo planes, electronic surveillance equipment, 10 fighter jets and enough helicopters to simultaneously transport two battalions if it is to defeat the rebels.

The congressman calculated that this would be 182 helicopters, and the total package would cost about half a billion dollars.

According to the U.S. legislators, the minister, Gen. José Guillermo García, stressed he did not want additional U.S. advisers — there are 50 currently in the country — nor any U.S. ground troops.

The delegation, which consisted of Reps. Thomas R. Harkin of Iowa, James L. Oberstar of Minnesota, both Democrats, and James E. Coyne, a Republican from Pennsylvania, concluded their three-day fact-finding mission here with a news conference Friday.

They were unanimous in their opposition to further military aid to El Salvador, primarily because of the human rights abuses by the Salvadoran armed forces.

"A land without justice," Rep. Oberstar said, "sums up the El Salvador of today and the last 50 years."

The congressmen were particularly critical of the accounts provided them by senior Salvadoran military commanders about how at least 20 civilians died three weeks ago in San Antonio Abad.

As related by Rep. Harkin, a colonel told them that his men had set an ambush and the people were killed during a firefight with "uniformed subversives."

Friday, the congressmen visited the barrio of mud huts and tin shacks on the western edge of San Salvador where the incident occurred. Rep. Coyne said that a 60-year-old woman told them her grandson was dragged out of his house by soldiers and later shot. Another woman said two of her sons died in the same manner.

Shootings Called 'Inhumane'

The congressmen said they learned from the Human Rights Commission of El Salvador and U.S. Embassy personnel that most of the victims had been shot in the back of the head and many were dressed in night clothes.

Calling such military tactics "inhumane" and "violative of every decent society," Rep. Oberstar said the government of El Salvador "should not have our military support."

In response to a question, Rep. Oberstar said that there were also human rights abuses by the leftist-led rebels. "But the guerrillas aren't getting arms from the United States," he added.

The congressmen also asked Gen. García about reports that during a search-and-destroy operation last December, government soldiers killed several hundred civilians, including women, children and old people, living in Mozote and eight surrounding hamlets in the eastern province of Morazan.

Gen. García's answers were evasive, Rep. Harkin said Thursday. Based on his discussions with U.S. Embassy personnel and human rights groups here, Rep. Harkin concluded, "There is every indication that innocent civilians were killed at the hands of the military. I do not know how many," he said, but they "did not die in firefights."

Churches Oppose U.S. Aid

WASHINGTON (UPI) — More than 350 national and local religious leaders Sunday said that President Reagan has "compromised his moral responsibilities" and urged Congress to end all military aid to El Salvador, including the training of 1,600 Salvadoran troops in the United States.

U.S. Finds Little European Backing For Its Policy on Central America

By Jonathan C. Randal

Washington Post Service

PARIS — After more than a year of high-level diplomatic efforts, the Reagan administration appears to have failed in its bid to win broad support from the West European allies for its policies in Central America.

In recent weeks, as American officials have described the crisis in the region, particularly in El Salvador, in increasingly urgent terms, European politicians have shown signs of becoming more outspoken in their criticism of U.S. policy.

Thursday, Premier Wilfried Martens of Belgium backed away from official U.S. suggestions that he had endorsed U.S. policy in El Salvador when he met Wednesday on behalf of the European Economic Community with President Reagan in Washington.

After the meeting, Mr. Reagan said, "We found great agreement and support with regard to our position in El Salvador."

Although Mr. Martens, standing at Mr. Reagan's side, offered no disagreement, upon returning to Brussels Saturday he told journalists that he and Foreign Minister Leo Tindemans had "explained exactly what our position was." Mr. Martens added: "Mr. Tindemans explained again this morning that we did not approve as such the U.S. policy."

Despite U.S. lobbying, only one West European government — Britain's — has accepted President José Napoleón Duarte's invitation to send observers to El Salvador to monitor the March 28 election.

In recent weeks, at least six countries that had been lobbied by the U.S. administration — Greece, Denmark, Italy, the Netherlands, Canada, and now Belgium — have publicly refused to send observers.

In Washington, the Organization of American States last week agreed to send a three-member observer delegation to the elections. A State Department spokesman said 12 countries have expressed interest in sending observers, but only five have announced publicly that they will do so — Egypt, Uruguay, Costa Rica, Colombia and Britain.

U.S., U.K. Return Disputed Gold to Czechoslovakia

The Associated Press

PRAGUE — Czechoslovakia has taken possession of 18.4 metric tons of gold under an agreement signed last month with the United States and Britain, Prague radio said Sunday.

The return Saturday ended a dispute over the gold bars and coins seized by Germany during World War II and confiscated by the Allies at the war's end. Its value has been estimated at about \$247 million, based on current precious metal prices.

The radio said a Czechoslovak representative took control of the gold Saturday in Geneva and oversaw its transport to Prague.

Britain and the United States had been holding the gold pending agreement on settlements for property nationalized in the Communist takeover in 1948. The agreement, signed Jan. 29, provided for Czechoslovakia to pay \$130 million to the two countries as compensation to persons and companies whose property was appropriated.



Who wouldn't want to be in your shoes? Especially when those feet will be taking you to the famous cheese markets, flower auctions, gorgeous canals, windmills, and a Van Gogh or two. So share it all with your family and friends back home. But before you make that call, here are some guilder-saving tips.

SAVE ON SURCHARGES

Many hotels outside the U.S. charge exorbitant surcharge fees on international calls. And sometimes the fees are greater than the cost of the call itself. But if your hotel has TELEPLAN, the way to keep hotel surcharges reasonable, go ahead and call. No Teleplan? Read on!

There are other ways to save money. **SAVE WITH A SHORTIE**

In most countries there's no three-minute minimum on self-dialed calls. So if your hotel offers International Dialing from your room, place a short call home and have them call you back. The surcharge on short calls is low. And you pay for the call back from the States with dollars, not local currency, when you get your next home or office phone bill.

SAVE THESE OTHER WAYS

Telephone Company credit card and collect calls may be placed in many countries. And where they are, the hotel surcharges on such calls are usually low. Or, you can avoid

surcharges altogether by calling from the post office or from other telephone centers.

SAVE NIGHTS & WEEKENDS

Always check to see whether the country you're in has lower rates at night and on weekends. Usually the savings are considerable.

Now that you've learned to walk on wood, you've saved a little shoe leather. And now that you've learned the calling tips, you'll find it easy to foot the phone bill.



Reach out and touch someone

Poland: Everybody Loses

In the matter of Poland, everyone is losing. Although its spirit lives, Solidarity has been crushed. Although the Poles go to work, their production is abysmal. General Jaruzelski's martial law preserves a surface calm, but his ministers tremble at underground pamphlets that warn, "The winter is yours but the spring will be ours."

The Russians may be rid of open rebellion but are hard put to keep Poland and the rest of Eastern Europe solvent. The Western democracies have exposed the bankruptcy of Communism, but also their own reluctance to pay a price for promoting freedom. The Reagan administration's greatest confrontation with Soviet tyranny finds it considering a boycott of vodka and caviar while paying Poland's debts — so as to make it less "dependent" on the Kremlin.

One fact explains these paradoxes. In East and West, the ideologies of the day have scant relevance to the prevailing political economies. Soviet-style workers' states cannot make workers produce enough even to feed themselves without great infusions of capital and technology from the West. The capitalist states cannot keep their great farms and factories profitable without begging and bribing the East to buy their goods.

Thus the American and Soviet worlds struggle to find a commercial fit while their armies keep Europe rigidly divided. The two worlds cannot afford unending hostility, nor find a civilized basis of collaboration.

Poland demonstrates the problem, and dramatizes the root difficulty. As long as the Soviet system holds half of Europe only by force — depriving its people of prosperity and freedom — it blocks the evolution of economic, cultural and political integration. Western bankers may want a totalitarian or-

der to protect their loans, but tyrannized workers will not be made to repay them.

The deeper Soviet default is political. The highest Western interest, therefore, is to keep pressing for peaceful political change in the East. That means making tyranny more expensive and offering reward for change. And that, in turn, means the West has to bear the short-term costs of pressure tactics to promote the long-term benefits of détente.

Yet, two months into the Polish crisis, the West remains divided. Just as the Poles reveal they will not, after all, lift martial law soon or keep their promise to negotiate with Solidarity, Reagan declares himself the prisoner of American farmers, West German bankers and French pipeline workers. What good is a general held hostage by his troops?

The high ground in this contest is money — the credit that Poland and the Soviet bloc require to raise their people above subsistence levels. They already owe \$70 billion, most of which they cannot repay; they need to borrow billions more.

As long as private bankers hold half this debt, they will not only refuse to call the loans but insist on writing more. The way to bargain with debt for strategic ends is to concentrate it in government hands. Sooner or later, the Western governments will have to bail out their banks anyway. Waiting dissipates the political dividends.

Freed of the fear of a banking panic, the West could offer Moscow very clear choices: much more credit for Poland in return for a fair deal for Solidarity; more credit and trade for the Soviet Union in return for an easier atmosphere throughout Eastern Europe; a stable evolution or real default and massive disruption. Years of spring, or winter.

THE NEW YORK TIMES.

Budget Deficits Do Matter

Now that President Reagan confronts an unprecedented run of dozen-digit deficits, he has taken up the sometime cry of liberals that deficits don't really matter. If only the economy will grow fast enough and Congress will cut spending hard enough, they will begin to shrink, he predicts, and do little damage. Few share the president's faith. But, in any case, the size of his gamble clearly turns on that old question: Do deficits matter?

History suggests that government deficits are, in fact, neither good nor bad for economic health. Their effect depends, crucially, on the vigor of the private economy and on the kind of monetary policy being practiced by the Federal Reserve Board.

Mr. Reagan is right, therefore, to argue that deficits themselves do not cause inflation, high interest rates, lower productivity or monetary profligacy. And he is right to point out that the immediate effect of deficit spending is stimulative rather than crippling to the economy. So some of the old Reagan alarm — and demagoguery — about so much red ink is, indeed, best forgotten.

But at this moment and in the years ahead, that is far from the whole story. For the huge deficits that Mr. Reagan risks are destined to hit the economy at the worst possible time — just as it recovers from a recession that has only begun to bring inflation under control.

The heavy government borrowing in 1983 and thereafter that his strategy decrees would thus run directly into the Federal Reserve Board's unrelenting anti-inflation measures — tight controls on the supply of money and credit. And from that collision can come only higher interest rates, which are bound to impede investment in the private economy.

Indeed, the billions in potential savings —

and investment — that Mr. Reagan hoped to generate by reducing tax rates would only be sucked up again by the Treasury's heavy borrowing. The Treasury can afford to pay any interest rate, but it will be bidding them up and crowding out private borrowers.

A pressured Federal Reserve might then still try to avoid the collision by again expanding the money supply faster. But that would only trade lower interest rates for a new surge of double-digit inflation.

One way or the other, the huge deficits are incompatible with stable recovery.

President Reagan may rail against these established lessons of economics. But he can hardly deny the effect they have on others. In expectation of his big-deficit budgets, interest rates are already moving higher, despite the recession. They began to climb the moment he advertised his new tolerance of red ink. Some analysts estimate that the rise in long-term rates, only since November, has already wiped out the benefit Mr. Reagan hoped to achieve by enlarging the depreciation allowances for business last year.

There is no scientific way of choosing a tolerable level of deficits for the next few years. But there has to be a perceptible and significant decline in future government borrowing if private investment is to have the benefit of lower interest rates.

Of the three incompatible promises he made in seeking the presidency, Mr. Reagan clearly feels that unbalanced budgets are the least crime. He prefers to keep his word about drastically cutting individual tax rates and increasing military spending. But the president chose wrong and needs now to be persuaded to yield on the other two.

THE NEW YORK TIMES.

On Humble-Origins Chic

American political life must be the only social environment in which, typically, you spend the first 40 years fighting your way out of borderline poverty and hardship and into country club posh, and the second 40 years bragging about how poor you used to be.

Sometimes the thing becomes competitive. House Speaker O'Neill and President Reagan, for example, are at it again. Last June, one budget cycle ago, Mr. O'Neill zinged Ronald Reagan about not understanding working people and Mr. Reagan zinged back that he was "trying to find out something about [the speaker's] boyhood, because we didn't live on the wrong side of the tracks, but we lived so close to them that we could hear the whistle real loud." He knew the working class well, the president insisted.

Well, that one dissolved, as these nasty exchanges between the president and the speaker tend to, in a shower of aw-shuckses and endearments. But another budget has produced another round. This time we have what Mr. O'Neill calls a "Beverly Hills budget." The speaker also said that Mr. Reagan had "forgotten his roots" and had "associat-

ed with the country club style." To which the president replied with speculation about where Mr. O'Neill plays his golf, if not at a country club. And so forth.

Humble-origins chic, of course, has been the political fashion since long before these two contenders were on the scene. Some politicians (Hubert Humphrey, to take a case) transform their recollection of poverty into an abiding concern to spare others its anxieties and deprivations. Others incorporate the experience into their political outlook mainly for its value as evidence that a determined would-be escapee can make it over the fence in the great land of America.

It is the resulting public philosophies and programs, not a contest as to who is or was more of a workingman's workingman, that matter. The White House is not a working-class place, and that tax break that Speaker O'Neill just helped to give himself and his congressional colleagues is not something that your average hard hat either gets or gets to vote into law for himself. We think someone should change the subject.

THE WASHINGTON POST.

Feb. 22: From Our Pages of 75 and 50 Years Ago

1907: Political Strain in Cuba

HAVANA — The Liberals, representing the illiterate, turbulent masses, are confidently awaiting full control of the government, while the Conservative element is hoping, almost in despair, that the American administration will give some sign that an expression from them will be welcome and that they will be assured of protection if they tell what the industrious population really wants. The American government takes the ground that it must regard the Liberals as the real representatives of the whole Cuban people if no others speak out. Perhaps this is logical, but it must lead to a revolution and final annexation, which many of the Conservatives believe is the administration's real purpose.

1932: Brilliant Chinese Victory

SHANGHAI — Japanese military prestige suffered a formidable setback when the Chinese launched a surprise counter-offensive and drove the invaders out of Kiangwan village, the occupation of which Gen. Uyeda's troops had celebrated a few hours before with an elaborate flag-raising ceremony. By their brilliant recapture of the tactical point on the Shanghai-Woosung railroad, which they had lost after terrific fighting some 24 hours earlier, the Chinese dealt their enemy a stunning blow. The spearhead of the great offensive was broken, and Gen. Uyeda's prospective "march on Nanjing" collapsed. The Japanese were taken completely off their guard, and lost 13 killed and 116 wounded.



Dispute in Reagan's Team, Drift in Its Policy

By Flora Lewis

WASHINGTON — The leak of notes from Secretary of State Haig's weekly staff meetings gives off a bad odor. For one thing, it is unpleasant even to an eager reporter like myself to see informal and sensitive government discussions published for no visibly higher purpose of journalistic service than to display that leaks continue.

It appears to be another round in the fierce melee of fighting for foreign policy turf which most spectacularly pits Haig against Defense Secretary Weinberger. Whoever expected to gain from the gambit, the effect shows that the great foreign policy battle within the administration still rages, and that President Reagan is still unwilling or unable to arbitrate and impose decisions.

The consequence of dispute is drift, contradiction and uncertainty. The Haig-Weinberger tiffs have been going on for more than a year, and while they originally seemed to stem more from personality and a reach for pre-eminence than from real policy conflict, they have developed into rival approaches to substance.

The recent flap about the sale of sophisticated weapons to Jordan and the direction of U.S. relations with Israel is an example. Another is what seems to be a peculiar trade-off on policy toward Cuba, Nicaragua and El Salvador against policy on Poland, the Soviet Union and the Western allies.

Haig is a good deal more sensitive to problems of keeping the alliance together than is Weinberger, who seems to think the Europeans can be bludgeoned into following America's lead, so Haig chooses Central America and Cuba to demonstrate his anti-Communist machismo. Weinberger, with the worried military commanders behind him, is more sensitive to the danger of losing public support for defense spending if the war in El Salvador is escalated or Americans get into combat, so he proves his toughness on the European issue.

Each fights firm in the area where the other will bear the main responsibility for backlash, and the White House faces the damage.

The administration knows its initial structure for White House decision-making on foreign policy worked poorly. Richard Allen, instructed to be a low-key national security adviser, lacked the power and the personality to coordinate clashing views and give the president a balanced basis for decision. Now Allen has been replaced by the president's old friend, William Clark. As the White House explains it, the system is also changed. Clark has direct access to Reagan, and there will be less reliance on written reports for the president.

The National Security Council will hold more frequent formal meetings, where the secretaries argue in front of each other, the security adviser summarizes the issues, and the president listens and questions until he is ready to take a stand. The theory is that live debate will make it easier to forge conflicting views into policy.

It probably will be easier for Reagan, who doesn't like paperwork. It conceivably could reduce Haig's and Weinberger's compulsion to sound off behind each other's backs by encouraging face-to-face confrontation, but their rivalry is too intense to make that likely.

It obviously cannot improve presentation of the complex detail which ought to go into policy formulation, or lead to greater clarity and coherence of thought on fundamentals.

The operation of the National Security Council and its staff has been a dilemma for several administrations. When the adviser is strong and keen to dominate, he either eclipses the secretary of state and short-circuits the bureaucracy, as Henry Kissinger did, or gets into quarrels and competition with them as Zbigniew Brzezinski did with Cyrus Vance.

But when he is weak and limited in power, essential coordination and imposition of a well-defined policy line fail unless the president has both the expertise and desire to do much of the job himself.

Foreign policy now is involved in almost every area of government concern and cannot be the exclusive preserve of diplomats. Trade, budget and monetary policy, agriculture, aviation, energy, to name a few, all have a foreign policy component, and defense is entirely about relations with the rest of the world.

As Haig is quoted in the leaked notes, "We never articulated our defense strategy in a coherent way," and there is a "perception in country that we're just sinking back into defense without an overall strategy." The purpose of defense strategy is to support national policy, and it cannot make much sense if the policy is uncertain.

On the whole, the State Department comes closer to understanding the real world than its rivals and critics in the administration. But that is not much help when issues have to be fought out again and again. Continuity and predictability, the requisites for effective foreign policy, are lost.

Robert Ellsworth, a former under secretary of defense and a manager of Richard Nixon's 1968 campaign, points out that a bipartisan group could be formed in the Senate which would help develop a sustainable foreign policy for six to 10 years. Such a group could also limit personal arguments within the administration by imposing a definition of what courses are politically feasible.

The effort is not made because the Reagan administration prefers a partisan approach. So the Senate cannot help fill the gaps in thinking through the problems and how to face them. There is a disturbing void, and noisy argument does not relieve it.

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On This Evidence, a Healthy Pope

By Don A. Schanche

LIBREVILLE, Gabon — When Pope John Paul II slowly mounted the steps of a tall, makeshift altar last Sunday in the field of a former racetrack in Kaduna, northern Nigeria, he appeared to falter. His perspiring face, which had been drawn and pallid since the attempt on his life nine months ago, was flushed.

Some longtime Vatican watchers who accompanied the once-robust pontiff on his eight-day, four-nation West African journey expressed alarm. Only three days into the arduous schedule that would require him to preside over eight Masses, deliver more than 30 speeches and stand for hours in heavy vestments in humid tropical heat, the pope's vitality appeared to have drained away.

But a few minutes later, after he took his place on a canopy-shaded throne, Pope John Paul's color returned to normal. If anything, he appeared healthier than he had when the papal plane left Rome the previous Friday.

The pontiff went on to conduct an outdoor Mass, including the ordination of 92 Nigerian priests, that lasted more than three hours. While many, including more than one Vatican priest in his entourage, slipped away from the ceremony to the air conditioning of a nearby hotel, the supreme pastor

of the Roman Catholic Church seemed to gain strength.

From that day on, until the end of the journey on Friday, the pope kept to a pace that exhausted men half his age, yet he never seemed to flag. The 61-year-old man, whose favorite pre-papal sport was skiing, did not bounce up from a kneeling position as quickly as he used to, and the heat and dust were burdensome to him and to the more than a million Africans who flocked to see him. But his health clearly was no longer a problem.

In Cotonou, Benin, he rushed to the slumped form of an African admirer who had fainted from heat and excitement as President Mathieu Kerekrou led the papal entourage along a quarter-mile, red-carpeted receiving line. The pope had bent and was lifting the fallen African when aides relieved him of that burden.

In Libreville he knelt upon arrival to kiss the ground and rebounded almost like an athlete without the help of papal assistants who had become accustomed to gently lifting him on occasion in Rome. In Lagos, Nigeria's chaotic capital, he bent easily to kiss Polish children assembled in the local archbishop's garden, and appeared ready to join in games if the occasion had been a more festive one.

And day after day he endured

jolting rides through the press of ecstatic crowds, standing in open Land Rovers, heavily gowned in white silken robes that became quickly soiled from sweat and dust. He walked lightly up the steps to dozens of altars and greeting platforms to stand patiently and amiably in the oppressive heat while hosts like Kerekrou — a nominal Catholic, traditional animist and romantic Marxist — delivered banal welcomes or political oratory, using the pope's presence to enhance themselves.

"The man is amazing. It's as though he's trying to prove to all of us that he can still do what he used to," said Archbishop Paul Marinkus, the Lithuanian-American who acts as advance man and bodyguard on papal trips.

On Thursday, the pope took his pastoral message of peace and social justice to Equatorial Guinea, a nation of Catholics who have suffered more than most of the world's religious communities. The country is just recovering from the ravages of a brutal dictatorship.

During his seven-and-a-half-hour visit, the pontiff said the church wanted to offer "its assistance toward the moral elevation of the people, its work in favor of reconciliation of spirits and its service in the fields of education and services."

The pope's two doctors, an Italian and a Pole, discreetly refused to comment when reporters tried to question them about the pontiff's health, but neither appeared unduly concerned about it. In some of the motorcades they did not even insist on the customary precaution of an ambulance.

For this correspondent, new to the Vatican entourage and, like most others, exhausted by the 20-hour days of the papal mission to Africa, the best professional assessment of Pope John Paul's physical condition came from an unusual source in northern Nigeria. Dr. Jerzy Wiecek is a surgeon who has been working in Nigeria for four years under a contract between the Polish and Nigerian governments.

"I met the pope once when he



was skiing in Poland" in 1972, said Wiecek. "I was at a little restaurant when my daughter when two skiers came in and a nun rushed up to one of them and kissed his hands. He was bishop of Krakow then. I met him on the slopes, too. He was an excellent skier, a very athletic man."

After the pope was shot last May 13 by a Turkish terrorist in St. Peter's Square, the Polish surgeon said, he was appalled by what appeared to be the pope's slow recovery from surgery and its complications. Even when he saw the pope on television as the Vatican plane arrived in Lagos, Wiecek later recounted, he asked himself: "What has happened to this chap? He looks so worn out."

At the racetrack in Kaduna, Wiecek saw the pope close up when the panel Land Rover paused and the pope blessed a Solidarity banner that the surgeon and some of his fellow expatriates were holding aloft. "He looked wonderful," Wiecek marveled, "and I say that as a surgeon, not just as a Catholic Pole. He acted the way he always has, smiling and singing with the crowd."

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The Staff May Be Broken

By Joseph Kraft

WASHINGTON — The White House staff was one of the hidden assets that made Ronald Reagan's first year such a success. But events have bent that staff almost out of recognition.

The troika structure has been shattered, and all three members have been weakened.

Edwin Meese, the president's counselor, designed the system that went into effect last year, and was top man in the troika. He reserved to himself major policy issues in domestic and international affairs. He kept most foreign policy on a back burner by playing off Secretary of State Haig against Secretary of Defense Weinberger. He thus focused attention on the economic program that had emerged fully developed from the 1980 campaign. By making good on campaign promises to reduce taxes and spending, Reagan achieved a major plus in the first eight months of last year.

But Meese has been forced to abandon control over foreign policy within the White House. He has been obliged to drop his chief foreign policy lieutenant, former National Security Adviser Richard Allen. His senior aide in domestic affairs, Martin Anderson, has resigned. Rumors continue that Meese may leave the White House for a Cabinet post.

James Baker, the second man in the troika, is responsible for managing such functional business as relations with Congress and the press. Although he is under attack by right-wingers for his long-standing ties with Vice President George Bush, Baker and his lieutenants have not been damaged by the fire from that quarter. Many even think that he will eventually dominate the White House staff.

But Baker is in the position of the advisers to Lyndon Johnson who gentled him into the Vietnam War and then tried to tame him around without success. Baker organized the key votes won by the president in Congress on economic policy last year. That victory has turned Pyrrhic with the record budget deficits of this year.

Baker and his aides tried to organize a process for turning the president around in the preparation of this year's budget. As a result, the president made a series of decisions — no defense cuts; no new taxes; more cuts in social spending, including some in entitlements. Although each decision was close to the margin, the total budget package added up to a monster. So Baker bears every responsibility for the budget deficits set up last year, and the terrible problems of cutting them this year.

Moreover, his chief ally, Budget Director David Stockman, is limping. Stockman understood early the problem created by the success of 1981. He tried to go public with his misgivings in the famous Atlantic Monthly interviews. But he then allowed himself to be seen taking it all back "in the woodshed" with the president.

Now Stockman is subject to withering fire. Virtually every question from Congress and the press carries elements of the old, unanswerable conundrum: Can you believe a liar when he says he's telling the truth?

Michael Deaver, the third member of the troika, has been responsible for what he calls "the body." He kept the president in good shape and good spirits throughout last year. In particular, Reagan was up for all the major speeches that preceded the key congressional votes on economic policy.

But Deaver has made known that he will be leaving the White House at the end of this year. This year, moreover, Deaver will have to work in an arena much less familiar to him and the president — foreign affairs. Reagan will be in Europe in June for a summit meeting of industrial countries, and another summit session of the NATO heads of government. There is at least a chance that he will be having a meeting with Leonid Brezhnev in the coming year.

The shift to foreign policy has already been signaled by the arrival of a fourth man at the top level of the White House structure. William Clark, a former chief of staff to Reagan when he was governor of California, who is senior to both Meese and Deaver in service to the president, has gone to the White House to run and direct national security affairs. Clark has been given the whole foreign policy portfolio, and he has direct access to the president. Some see him eventually taking over from Meese as a kind of deputy president.

But Judge Clark has to bring himself up to speed on a wide range of reconduite matters. He has to build a staff. He has to harness two strongly independent men, Haig and Weinberger. On top of all that, he has to engage the president personally in foreign policy. For the year ahead, accordingly, he has a full plate.

So to all the president's other difficulties there is now added one not previously apparent. Reagan has to lean on a staff that is bent and may even be broken.

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Letters

Soul Medicine

Leo Kartman (Letters, Jan. 30-31), commenting on anti-Semitism, quite rightly remarks that "nothing has changed." Anti-Semitism seems to be a chronic disease of the soul. Where cancer is concerned, science has made tremendous progress since the beginning of this century, when my father was a professor of medicine. Perhaps some day a doctor will be able to locate the soul of the patient and remove the tumor.

ESTHER DELCOURT.

Nuclear Power

I applaud the editorial on the oil situation ("Helping the Glut to Last," IHT, Feb. 11) but deplore

Letters intended for publication should be addressed "Letters to the Editor," and must include the writer's address and signature. Priority is given to letters that are brief and do not request anonymity. Letters may be abridged. We are unable to acknowledge all letters, but value the views of readers who submit them.

Overpaid Coaches

Lee Mitgang reports (IHT, Jan. 28) the laudable of sundry college professors at the alarmingly high salaries and fringe benefits paid to college coaches. Prof. Wilfred Kaplan is quoted as saying it is "inevitable" but "a sad sidelight on American society." It is my view that it is neither. The responsibility for the cultural development of the alumni rested with the university, and the distorted importance of university athletic programs is not a reflection on American society but on the failure of universities.

W.W. SCHWARTZMANN, Antibes, France.

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Rapid Growth of Cities A Troubling Problem For India Development

By Michael T. Kaufman
New York Times Service

NEW DELHI — Indian demographers poring over the results of last year's national census are reporting that the suddenly burgeoning growth of major cities represents a more troublesome statistic than the overall steady population rise with its evocations of Malthusian doom.

In the last 10 years, hundreds of Indian cities have grown in population by around 40 percent. Some small urban settlements have tripled in size. The ties keeping poor peasants in their villages have loosened radically, and most cities are growing at least twice as fast as the country's overall population.

Ashis Bose, an internationally known demographer and the author of "India Urbanization," said the flood to the cities that had been predicted 30 years ago is finally taking place in many parts of the country.

For years, he explained in an interview, the pattern of urbanization in India ran counter to the trends occurring in countries like Mexico, Brazil and some African countries where industrialization resulted in almost immediate migrations from the countryside to the cities.

There have been a number of sociological studies by Indians and foreigners that sought to account for the relative immobility of the Indian rural masses by stressing such cultural factors as Hindu fears of caste pollution and the ties and benefits of an extended family system.

Mr. Bose finds such explanations superficial. "What we are seeing is proof that rural misery is a necessary but not sufficient impetus for migration," he said.

"What is also needed is a village man or a caste brother who is established in a city and can help the newcomer. It is a classic example of chain migration and such a process takes time to gain momentum, but once it does it accelerates quickly."

Evidence of Mr. Bose's explanation comes readily to hand. All the newspaper vendors in Delhi come from the Salem district of Tamil Nadu more than a thousand miles away. The construction workers laboring round the clock in the capital to finish arenas and hotels for next fall's Asian Games come from the states of Rajasthan and Orissa. The thousands of men who pedal bicycle rickshaws are all recent newcomers from several districts in the southern state of Andhra Pradesh.

In the major cities, there are colonies of newcomers united by language and custom. In the shabby bungalow from which he directs the world's largest census operation, Padatula Padmanabha reviewed some of the preliminary findings in terms of urbanization. He noted that all urban settlements in India grew in the last decade but the greatest growth came in the largest settlements.

Three more cities were added to the number of urban settlements with more than a million people. There are now 12, ranging from Calcutta with 9,165,650 people to Jaipur, the city of pink palaces in Rajasthan with a population of just over 1 million.

Mr. Bose said such growth figures show two prevailing patterns. He noted that the rate of growth for a city like Bangalore, which is industrializing rapidly, is running ahead of the rate for Calcutta, where investment has stagnated and the influx largely reflects the impoverishment of the countryside.

Cities such as Calcutta or Patna in Bihar, which offer scant employment opportunities, now run the risk of becoming swamps of poverty in which the huge masses of unemployed simply overwhelm the already meager resources.

Mr. Bose also sees signs of hope in the urbanization figures. He regards cities as places where repressive and regressive social patterns are quickly transformed.

"On a crowded bus in the city no one asks the person sitting next to them his caste as they would in a village," he said.

He noted that the problem of chronic unemployment and underemployment could be ignored by governments largely because it was so diffuse, spread in pockets over large remote expanses. As large groups of disaffected people gather in cities, their demands for jobs, housing, education, transportation and health care will not be so easy to parry or dismiss.

At the moment, the urban population makes up 23 percent of India's population, up more than 3 percent in the last 10 years, a record when the overall population rose by almost 300 million. The trend is still accelerating, and it is being recognized by the National Planning Commission as it seeks to allocate investments.

For a country like India, exploding urbanization presents yet another problem for a national development effort that is necessarily contradictory.

One of the recent efforts of the government of Prime Minister Indira Gandhi has been to stimulate greater productivity so that the country can better compete in world markets for investment capital. But every mechanical or technological advance that improves the productivity of labor costs jobs.

Another goal seems to be to free the urban-based economy from governmental regulations while stepping up social assistance in the countryside. Although a number of economists are discussing such a strategy, no one has yet come up with concrete plans for the kind of rural development that would keep Indian peasants on-farms and promote orderly growth and investment in the cities.

Neither government dures nor broad policies without much capital seem likely to divert or thwart the human tide. The hope of the demographers, which they say is sustained by human experience, is simply that the greatest number of people will go to the areas of greatest opportunity, and that it will all work out over the decades.

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All these securities having been sold, this announcement appears as a matter of record only.

New Issue

16th February, 1982

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(Kobushiki Kaisha Makita Denki Seisakusho)
(Incorporated under the laws of Japan)

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(par value ¥50 per share)

evidenced by
European Depositary Receipts

Issue Price U.S.\$3.524 per Share

(equivalent, at the rate of exchange adopted for the purpose, to ¥806 per Share)

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Kuwait International Investment Co. s.a.k.

Merrill Lynch International & Co.

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Tokai Kyowa Morgan Grenfell

Westdeutsche Landesbank

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Girozentrale

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DM STRAIGHT BONDS

| Am | Security | Sty | Issue | Pr. | Mid | Yld |
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(Continued on Page 8)

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Saudi Arabia Dismisses Reports Of a Sharp Cut in Oil Production

From Agency Dispatches
RIYADH — In a response to reports of a sharp cut in its crude-oil output, Saudi Arabia said Sunday that its production "is continuing within the framework of the announced ceiling of 8.5 million barrels daily."

A Saudi Oil Ministry official, in a statement to the Saudi press agency, denied reports that "any decision has been taken to reduce production to between 7 million and 7.5 million barrels daily." The statement was the first official Saudi announcement on oil policy since last month's reports that production fell to just below 8 million barrels a day during January.

Meanwhile, OPEC's president said he was seeking to arrange a special price meeting "as soon as possible," and the Middle East Economic Survey said buyers expect that Britain soon may cut its North Sea oil prices.

Reports of this price cut led Iraq's oil minister, Tayeb Abdul-Karim, to call last week for emergency OPEC talks, but it is unclear whether OPEC ministers will agree to hold a meeting before the session scheduled for May 20 in Quito, Ecuador.

Sheikh Mana Said al-Qutiba, OPEC's chairman and oil minister of the United Arab Emirates, said Saturday that oil ministers were continuing to discuss whether to schedule a special meeting on price strategy, according to the official UAE news agency.

Recession and the growing use of other fuels have slashed OPEC output by a third from a peak of nearly 31 million barrels daily in 1979, and nine of the 13 OPEC members are running budget deficits.

Oil experts have been puzzled by the lack of a formal Saudi move to cut production and steady the market. The Saudis themselves have said they could meet their financial goals while producing as little as about six million barrels daily.

Some analysts have speculated that Saudi Arabia may be reconciled to a fall in oil prices. Others say that the Saudis will reduce production eventually but first want to punish such OPEC countries as Iran, Algeria and Libya, which led the 1979 scramble for higher prices when oil was in short supply but have been hit hardest by falling sales in the current glut.

One London oil executive said it is unwise to speculate about motives for Saudi oil policy, observing that the Saudis "play their cards very close to the chest."

The Nicosia-based Middle East Economic Survey, in this week's issue, said the most spectacular slide in spot crude prices has been in North Sea crudes. The survey said British Crudes field crude was recently sold on the spot market at \$29.40 a barrel, compared with the official, contract price of \$35 set Feb. 8 by state-owned British National Oil Corp.

By March, the survey said, BNOC will have 120,000 barrels daily of crude that it will not be able to sell at the official price. Thus, "buyers are now expecting that BNOC may be forced to reduce its price by a further \$2 or so" from \$35, the survey said.

U.S. Rate Drop Fails To Dispel Skepticism

By Carl Gewirtz
International Herald Tribune
PARIS — The U.S. Federal Reserve held center stage in the international markets last week as all eyes were riveted on how it would respond to the conflicting signals emitted by the latest economic data.

A bulge in the growth of the money supply — advancing at an almost 13 percent annual rate compared to the targeted maximum 5% percent — implied continued tightening by the Fed, re-

Fed released the latest money supply data.

Against this background, the rally witnessed in the European market last week can be expected to continue. That the market was bubbling was evident Friday when the Province of Saskatchewan launched a \$100-million, seven-year non-callable issue at par bearing a coupon of 16 percent. Before the day was out the amount had been increased to \$125 million. A coupon of 16 percent currently looks very attractive, bankers as-



Hannes Androsch
Led the loan negotiations

Austria Agrees to Lend Moscow \$596 Million

By John Tagliabue
New York Times Service
BONN — A group of Austrian banks has agreed to lend the Soviet Union \$596.6 million over the next two years at low interest rates, at a time when Moscow is suffering from an acute shortage of convertible currency.

The agreement comes in the wake of a NATO ministerial decision to suspend economic cooperation with Moscow, including bank credits, until martial law in Poland is ended.

Austria, which follows a neutral foreign policy, is seeking to increase its exports to the Soviet Union. Trade with all of Eastern Europe accounts for roughly one-fifth of Austria's total trade, but in 1980 that trade tipped into deficit for the first time since 1963.

Last year, Austria's trade deficit with the Soviet Union alone nearly

doubled to the equivalent of \$811.4 million, largely because of the rising cost of Soviet oil, coal and natural gas. Such energy materials account for roughly 75 percent of Austria's imports from the Soviet Union.

A spokesman for the Creditanstalt-Bankverein in Vienna, the bank that led the group, said Friday that the loans would be for the purchase by the Soviet Union of Austrian industrial products, such as plants, machinery, river barges, steel and steel pipes.

But the loans evidently do not cover future sales of equipment for construction of a controversial natural gas pipeline from Siberia to Western Europe. Voest-Alpine, the Austrian steel company that is the nation's biggest industrial concern, is bidding for deliveries of steel pipe and other materials for the pipeline.

The spokesman, Joachim Kuhn-

ert, said the agreement was reached Thursday, following three days of negotiations, by the Creditanstalt's chairman, Hannes Androsch, a former Austrian finance minister, and the Soviet Union's deputy minister for foreign trade, Viktor M. Ivanov.

The agreement succeeds a previous similar two-year agreement of the same amount and can be renewed at the end of 1983 by mutual consent, Mr. Kuhnert said.

The terms of the loan illustrate recent success by the Soviet Union in getting extremely advantageous terms from its Western banking partners. The loan carries a 7.8 percent interest rate, which corresponds to the rate granted Moscow by a consortium of West German banks last summer, but is lower than rates granted recently by Swiss and French banks.

Under the agreement, banks for the companies doing business with

Moscow are to grant loans at the 7.8-percent rate, and refinance them through guaranteed loans from the Austrian Kontrollbank, a state bank, at a 9.5 percent rate. The difference, it is understood, will have to be made up in the price of the goods delivered.

One reason the Austrian officials are willing to grant Moscow such favorable terms is that they are troubled that their exports of high-quality finished goods, such as machinery and electrical products, have steadily declined in recent years. Now Austrian exports consist increasingly of semifinished products, such as steel, textiles or paper, with a relatively low added value and profit margin.

There is growing concern in Vienna that Moscow is using its earnings from sales to Austria to finance imports of sophisticated products from Austrian competi-

EUROBONDS
sulting in higher interest rates and a stronger dollar on the foreign exchange market.

Responding to pressure that had already built up in short-term interest rates, most U.S. banks last week raised their prime lending rate half a point to 17 percent. In the foreign exchange market, the dollar hit a five-month high at 2.40 Deutsche marks.

On the other hand, there was mounting evidence that the United States was slipping deeper into recession. January's industrial output was down a sharp 3 percent, housing starts were off 0.6 percent and factory use had slowed to 70.4 percent of capacity from 73 percent in December.

Bankers See Funds Squeeze Boosting Lending Margins

By Carl Gewirtz
International Herald Tribune
PARIS — There is no substantiating data yet, but bankers active in the Eurocurrency market report "sensing" that the amount of cash available for lending is drying up and that a spurt in borrowing costs is inevitable.

They base this view on the fact that competition to win mandates to organize new loans is waning and that loans currently in syndication are progressing slowly.

The reasons they give are varied, but focus on the fact that the in-

conditions prevailing in all the major industrialized countries, banks would be expected to offset idle domestic demand for loans with increased activity in the Euro-market.

But this is not happening. U.S. bankers are expressing increasing concern about the low profitability of Euro-market lending and British, Canadian and French banks are joining the Americans in adopting a much lower profile. Lending charges — the margin over the London interbank rate — are too low, they insist. They have insisted thus before and ultimately have continued lending. But this time bankers say they are convinced that margins are rising and that by holding back from running after business now they can lend later at more attractive terms.

New Floaters
The frenzy for quality paper, particularly floating-rate notes, was made evident by the rumor that Australia was about to offer \$1 billion worth of FRNs at 1/4 point under the London interbank rate managed by Deutsche Bank. A beleaguered Deutsche Bank official, insisting there was not any truth to the rumor, said in amazement that he turned away more than \$1 billion worth of underwriting proposals from bankers calling to join the operation as co-managers.

Among the new floaters offered, Sofite, the Luxembourg finance subsidiary of STET, Italy's telecommunications agency, is offering \$75 million of seven-year floating rate notes. Interest will be set at a quarter-point above the six-month London interbank rate and is guaranteed to never be set lower than 6 percent. Noteholders have an option to extend the maturity by three years.

Multibanco Comex of Mexico is offering \$40 million of 10-year FRNs, with interest to be set at a quarter point over the interbank rate and guaranteed not to be set lower than 5 1/2 percent.

The government of Mexico itself is raising \$100 million in 15-year adjustable rate bonds. Issued at par, the bonds bear interest of 17 1/2 percent until March 5, 1985. At that time, Mexico will have the right to set a new rate of interest for the subsequent three-year period. Bondholders can request redemption at the end of any

SYNDICATED LOANS

flow of cash to the banks is slowing. OPEC has been a traditional supplier of funds to the market, but, as the Bank for International Settlements reported last week, OPEC has ceased to be a net supplier of new funds and as long ago as the third quarter of last year was already borrowing more from international banks than it was depositing with them.

That situation cannot have changed as OPEC exports since then have continued to slump and prices have continued to sag.

The third-quarter BIS data, the latest available, showed that OPEC's diminishing cash surplus had no immediate impact on conditions in the Euro-market as a near record \$11-billion inflow from U.S. non-bank entities helped lift the total supply of new funds to an estimated \$39 billion.

BIS officials were at a loss to explain what motivated the inflow of new funds from the United States. And if lending officers at some major banks are accurate in their assessment, this rush of money into the market would appear to have abated.

Normally, with slack business

South Korea Credit
A major indicator of how far, if at all, conditions are changing will be the terms on the coming loan for Spain — business for which four syndicates are bidding. If bankers mean what they say, a loan for Spain carrying anything more than a token 4 percent element in the margin will not find an audience. Anything more generous than that, they say, will wind up as a "club" loan of lead managers who for their own business reasons are eager to curry the favor of Spain.

The syndication, which is said to be very slow, of the \$350-million loan for South Korea's Export-Import Bank — setting a new low of half a point over Libor for eight years — is also serving as a bellwether of market sentiment.

Much attention is also focused

Bid for DeLorean Reported
The Associated Press
LONDON — A major U.S. chemical manufacturer was said to be looking into the purchase of the DeLorean Motor Co. auto plant in Northern Ireland.

The Times of London said Saturday that the manufacturer, whom it did not name, was reported to be in London and in touch with Kenneth Cork, the receiver called in by the government Friday after it shut off funding for the sports-car plant.

The London Daily Telegraph reported that "talks are now going on with an unidentified American businessman based in Europe over a possible 40-million-pound rescue package."

The Daily Telegraph quoted Mr. Cork as saying: "I cannot name the man concerned but we have talked and I am impressed by him."

Mr. Cork, who said he had about four to five weeks to find a buyer for the debt-ridden plant in Strute-on-Belfast, added that the American represented a variety of interests with substantial sums to invest, the Daily Telegraph added.

In hopes of salvaging some of the 1,500 jobs remaining at the plant, Mr. Cork said he and his fellow receiver, Paul Shewell, hoped to restructure the company and keep a slimmer-down DeLorean factory in business.

CURRENCY RATES

Interbank exchange rates for Feb. 19, 1982, excluding bank service charges.

| | \$ | £ | D.M. | F.F. | Y.F. | Sw. | S.F. | D.L. |
|------------------|------|------|--------|-------|-------|-------|------|------|
| American Express | 2.35 | 1.48 | 109.70 | 63.12 | 2.055 | 16.65 | 6.62 | 37.2 |
| Barclays | 2.35 | 1.48 | 109.70 | 63.12 | 2.055 | 16.65 | 6.62 | 37.2 |
| Deutsche Bank | 2.35 | 1.48 | 109.70 | 63.12 | 2.055 | 16.65 | 6.62 | 37.2 |
| London (N) | 2.35 | 1.48 | 109.70 | 63.12 | 2.055 | 16.65 | 6.62 | 37.2 |
| Mitsubishi | 2.35 | 1.48 | 109.70 | 63.12 | 2.055 | 16.65 | 6.62 | 37.2 |
| Paribas | 2.35 | 1.48 | 109.70 | 63.12 | 2.055 | 16.65 | 6.62 | 37.2 |
| Swiss Bank | 2.35 | 1.48 | 109.70 | 63.12 | 2.055 | 16.65 | 6.62 | 37.2 |
| Union Bank | 2.35 | 1.48 | 109.70 | 63.12 | 2.055 | 16.65 | 6.62 | 37.2 |
| Wells Fargo | 2.35 | 1.48 | 109.70 | 63.12 | 2.055 | 16.65 | 6.62 | 37.2 |

Dollar Values

| | ¥ | ₹ | ₦ | ₧ | ₡ | ₧ | ₧ | ₧ |
|------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| American Express | 177.5 | 17.75 | 17.75 | 17.75 | 17.75 | 17.75 | 17.75 | 17.75 |
| Barclays | 177.5 | 17.75 | 17.75 | 17.75 | 17.75 | 17.75 | 17.75 | 17.75 |
| Deutsche Bank | 177.5 | 17.75 | 17.75 | 17.75 | 17.75 | 17.75 | 17.75 | 17.75 |
| London (N) | 177.5 | 17.75 | 17.75 | 17.75 | 17.75 | 17.75 | 17.75 | 17.75 |
| Mitsubishi | 177.5 | 17.75 | 17.75 | 17.75 | 17.75 | 17.75 | 17.75 | 17.75 |
| Paribas | 177.5 | 17.75 | 17.75 | 17.75 | 17.75 | 17.75 | 17.75 | 17.75 |
| Swiss Bank | 177.5 | 17.75 | 17.75 | 17.75 | 17.75 | 17.75 | 17.75 | 17.75 |
| Union Bank | 177.5 | 17.75 | 17.75 | 17.75 | 17.75 | 17.75 | 17.75 | 17.75 |
| Wells Fargo | 177.5 | 17.75 | 17.75 | 17.75 | 17.75 | 17.75 | 17.75 | 17.75 |

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- Total Loans and Advances
- Current Ratio
- Capital Ratio

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HIGHEST CURRENT YIELDS
On convertibles having a conversion
premium of less than 10%

- Explanation of Symbols -

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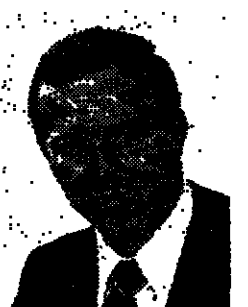
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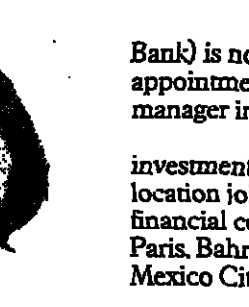
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Bankers Say Lending Fees Likely to Rise

(Continued from Page 7)

on what terms the Buenos Aires electricity company Segba will accept. "They can opt for a club loan," says one banker and match the terms of the recent YPF transaction, "or they can attempt to re-establish Argentina" as a sought-after credit by providing banks a return of "more than 1 1/2 point over Libor."

Pemex, for example, offered what is widely deemed as "very good" pricing, and bankers now talk about possibly increasing the amount from the indicated \$2 billion. The four-year loan (renewable for another four years at the option of lenders) carries a margin of 3/4 point over Libor.

There was still no word on the \$1-billion jumbo from Venezuela, but bankers are beginning to fret about the many problems delaying the signing of the government's recent \$500 million loan. The Venezuelans reportedly are attempting to restrict the wording of the cross-default clause, are bickering over jurisdiction and are insisting on writing the contract in Spanish, which bankers fear will restrict legal recourse to Spanish-speaking courts.

Two new Venezuelan deals are on offer. Banap is seeking \$500 million, evenly divided between a two- and three-year transaction. The interest on both will be set at half a point over Libor. The state-owned national savings bank last year borrowed \$700 million for three years at a half over Libor.

Gabinete de Area de Sines, a Venezuelan government agency financing construction of petrochemical complex, is seeking \$50 million for eight years, paying half a point over Libor for the first six years and 3/4 point thereafter.

Next in line is Venezuela's state power agency, Electricacion del Caroni, which is looking to raise up to \$500 million in an eight-year loan.

Electricidade de Portugal is raising \$100 million for eight years, offering to pay half a point over Libor for the first six years and 3/4 point over thereafter.

Korean Exchange Bank

SEOUL (Reuters) — The Korean Exchange Bank, one of South Korea's foreign financing arms, plans to raise \$1.78 billion in foreign funds this year, KEB President Chung Cheon-Talk notified Finance Minister Rho Woong-Bac, a KEB spokesman said.

This will include long- and medium-term bank loans worth \$400 million, \$250 million in floating rate certificates of deposit and floating rate notes as well as \$200 million in lines of credit, he said.

Ship Magnate Pushes for Japanese Aid to U.S.

Los Angeles Times Service

WASHINGTON — A 72-year-old Japanese-American shipping magnate, promoting a plan for Japanese companies to provide \$10 billion of aid to create jobs in the United States, is not ruffled by those who question whether the idea could ever be accepted.

U.S. officials said the plan, disclosed last week and designed to reduce Japan-U.S. trade tension, is still only an idea that must be sold to the governments of both countries. For its part, the Japanese Finance Ministry said Friday that it had no official knowledge of the plan.

But in an interview Friday, Kaytaro (Kay) Sugahara, the shipping magnate, said: "I know my plan can be done once the government decides to do it, and they will because it's for the good of the country."

Mr. Sugahara said he conceived his reverse Marshall Plan at the urging of Japanese businessmen concerned about threatened U.S. restrictions on imports of Japanese goods. He said he suggested that the businessmen try to arrange a fund of about \$10 billion to finance job-creating projects in the United States.

A practical financier who has been on his own since he was orphaned at 12, Mr. Sugahara noted that \$10 billion is nearly 60 percent of Japan's 1981 trade surplus of \$18 billion with the United States. He said he told the Japanese it was better to give back 60 percent than lose everything.

Mr. Sugahara said the aid could be in the form of loans guaranteed by the Japanese government to Japanese or American investors. "The loans might carry interest as low as 6 percent, far below the current U.S. prime rate of 17 percent," he said.

After the approach by the Japanese businessmen, Mr. Sugahara contacted the governors of U.S. states about his idea. Monday he goes before the International Trade Committee of the National Governors' Association to hear the governors describe the kind of projects they would like to have in their states.

He will then take a list of these projects to Japan and present them to business leaders there. It will be up to the Japanese executives to persuade their government to back the program.

'A Generous Gesture'

As of late last week, U.S. officials knew little about the plan. A spokesman said the assistant secretary of commerce, Raymond Waldman, had a "very general discussion" with Mr. Sugahara concerning it.

Mr. Sugahara is scheduled to meet this week with William E. Brock, the U.S. government's special trade representative. "This is certainly a generous, spirited gesture," a spokesman for Mr. Brock said Friday. "If it is the first step in opening access to Japanese capital markets for Americans, then it's a good thing."

But, the spokesman said, "the fundamental answer to U.S.-Japan trade relations will come when American workers can produce American goods and services to be freely sold in Japanese markets."

A Japanese-American businessman with intimate knowledge of Japan's government speculated that Mr. Sugahara's program might have a more modest beginning — "probably less than \$1 billion" — and be coupled with elimination of Japan's so-called nontariff trade barriers.

Relaxed About Details

Noting such possibilities, Mr. Sugahara said, "I'm not concerned about details." He added casually: "I know people who control billions."

A native of Seattle, Mr. Sugahara grew up in a Methodist mission in Los Angeles after his parents died and worked his way through the University of California, Los Angeles.

Mr. Sugahara, his wife, Yone, and three sons were interned during World War II. part of the time at the Santa Anita racetrack in Arcadia, near Los Angeles.

After the war he arranged for construction of tankers in Japan for U.S. oil companies, then became a tanker owner himself. He was described in a magazine article as a Japanese-American "Onassis without Jacqueline Kennedy."

"My wife read that and said, 'Kay, you've got something better,'" Mr. Sugahara said.

Drop in U.S. Rates Fails to Dispel Skepticism

(Continued from Page 7)

three-year period and Mexico has the right to call the issue.

Canadian Imperial Bank of Commerce sold \$125 million of five-year bonds at par bearing a coupon of 16 percent and was well received. But Continental Illinois' \$100 million of seven-year paper, sold at par bearing a coupon of 15 1/2 percent were quoted as low as 97 1/2 before recovering in Friday's rally to 98 1/2.

The Electric Power Commission of New Brunswick sold \$75 million of seven-year bonds bearing a coupon of 16 1/2 percent at 99 1/2 to yield 16 1/2. The paper ended the week at a modest discount of 98 1/2-99 1/2 after starting trading at 97 1/2-98 1/2.

Best Sweetener

The \$60-million, seven-year issue for Carolina Power & Light, priced at 99 bearing a coupon of 16 1/2 percent opened trading at 97 1/2-97 3/4 but ended the week at 98 1/2-98 3/4.

Best Oversee had obvious difficulty in marketing its \$165 million issue of six-year notes at par bearing a coupon of 11 percent. The "sweetener" was supposed to be the warrants attached to each note entitling the holder to buy 20 shares of the parent West German chemical company. The exercise price of the warrant was reduced during the offering period from the indicated 136 DM per share to 133 DM, a scant 1.5 percent premium

over the prevailing Frankfurt share price.

Even so, the paper dropped to 96 in the secondary market at mid-week and by Friday lead manager Deutsche Bank was quoting a wide 97 1/2-99. Away from the lead manager, dealers were quoting the bonds ex-warrant at 81 (to yield about 16 percent) and the warrants alone at 16. Deutsche Bank quotes a unified price as the warrants cannot be exercised until April at the earliest.

Amada, Japan's largest machine-tool company, is selling \$30 million of 15-year convertible bonds bearing a semiannual coupon of 5 1/2 percent. The bonds will be convertible starting April 1 into the company's shares at an anticipated premium of 5-to-6 percent. Final terms will be fixed March 1.

Seiyu Stores is planning to sell next month on the Asiadollar market \$15 million of five-year bonds bearing warrants to purchase its common stock.

In the Canadian sector, Quebec is offering 50 million Canadian dollars of six-year bonds bearing a coupon of 17 percent and priced at 99 1/2.

Montreal's 50 million Canadian dollar, seven-year Eurobond, bearing a coupon of 17 percent, was priced at 98 1/2 to yield 17.32 percent.

In the Deutsche mark sector, although Bundesbank officials have sanctioned a relatively heavy two-month calendar of 2.3 billion DM

of new Eurobonds, the central bank has underlined its desire to keep a lid on this potential source of capital outflow by asking banks to limit the size of issues. The maximum amount that sovereign states can issue is now restricted to 200 million DM, that of non-sovereign borrowers is limited to 150 million DM and private placements are restricted to a maximum 100 million DM. Previously, there were no limits.

Last week, the EEC sold 200 million DM of 12-year bonds bearing a coupon of 9 1/2 percent at a discount of 99 to yield 9.91 percent, but with the price in the secondary market quoted at 98-98 1/2 the paper was trading at a yield of just over 10 percent.

Denmark's 200 million DM issue, evenly split between six-year notes carrying a coupon of 10 percent and 10-year bonds bearing 10 1/2 percent was quoted on a when-issued basis of 1 1/4 points below the offering price which is expected to be par.

Currently on offer is Telefonica, the Spanish telephone company. It is raising 100 million Deutsche marks in a 10-year "bullet" issue which is being offered with a coupon of 10 1/2 percent. Scheduled to be launched this week are issues for Nafinsa of Mexico and Renfe of Spain.

A 30-million-DM issue for Nippon Sheet Glass is on offer bearing a coupon of 7 percent, a full percentage-point increase over

coupons offered on previous Japanese convertibles denominated in DM.

Murata Manufacturing followed the new trend, offering 50 million DM of eight-year convertibles bearing a coupon of 7 percent.

Elsewhere, the European Investment Bank is offering 75 million guilders of five-year notes at par bearing a coupon of 11 percent. The Asian Development Bank sold 100 million guilders of 10-year bonds bearing a coupon of 11 1/2 percent at a price of 99 to yield 11.70 percent.

Italy is offering domestically and on the international market 500 million worth of bonds denominated in European Currency Units bearing a coupon of 14 percent.

Eurobond Yields*

| Week Ended Feb. 17 | |
|-----------------------------|---------|
| Int'l inst. lg. term U.S.S. | 15.76 % |
| Int'l long term, U.S.S. | 15.48 % |
| Int'l medium term, U.S.S. | 16.02 % |
| Can. 5 medium term, U.S.S. | 15.63 % |
| French fr. medium term | 16.24 % |
| Int'l inst. lg. term yen | 8.32 % |
| ECU medium term | 13.88 % |
| EUA long term | 12.26 % |
| Int'l inst. lg. term LF | 12.92 % |
| FL long term | 12.79 % |

* Calculated by the Luxembourg Stock Exchange

Market Turnover

| Week Ended Feb. 19 | Total | Non-dollar |
|----------------------------|----------|------------|
| (Millions of U.S. dollars) | | |
| Cedel | 7,404.6 | 6,435.2 |
| Euroci | 11,870.1 | 11,585.5 |

Woolworth Resorting to Austerity

(Continued from Page 7)

Spain, and stores in Puerto Rico and the Virgin Islands. Total sales in the fiscal year ended Jan. 31 were about \$7 billion.

As Paine Webber's Mr. Robbins sees it, "The big problem is the Woolco division, which has never made any money mainly because it's failed to establish a product mix or merchandising style that stands out." Still, Mr. Robbins said, "management has made some good moves lately."

Most of those moves have been turns of the vise of austerity: Woolworth has embarked on a program of tight control over inventory, store openings, buying practices and financing.

As Mr. Gibbons sees it, the biggest villain at present is high interest rates. "My objective is not to concern myself how we borrow more money but to liquidate our debt," he said.

The Trouble With Imports

Debt service has soared at other retailers too as the industry has tried to finance huge inventories. At Sears, interest expense has more than doubled in the past couple of years; at Montgomery Ward, it now is the equivalent of more than 7 percent of revenues.

The high cost of debt has taken a toll on imported goods. "With American-made goods, you may only have to wait 20 days between order and sale," Mr. Gibbons said. "In fact, you may well have the cash in hand from sales before you need to pay the supplier."

With imports, retailers must pay on credit, the moment the goods are received. At foreign stores, and it may take three or four months for delivery in the United States. With high interest rates, that delay is costly.

As part of the austerity measures, Woolco has subleased nine less profitable stores to other tenants and is considering the same move for 39 others. If subleasing proves impractical, a Woolworth vice president said, closings will result.

Cutting Back in Britain

While the program affects only Woolco so far, "it has a counterpart in all our divisions, including our international operations," the official said.

Mexico, where the economy is booming, is an exception, and expansion is planned. Woolworth is a 49-percent partner in its Mexican subsidiary following a July, 1981, sale of the majority interest. The sale, forced by Mexico, yielded

Woolworth a \$13 million extraordinary profit last year.

In Italy and West Germany, little expansion is planned. In Canada, where Woolco is already the largest discount chain, no further store openings are foreseen. In Britain, where the red ink has been running freely for a couple of years, Woolworth has liquidated marginally profitable Woolworth stores and bought a do-it-yourself chain, Dodge City, which it hopes to expand at a much greater rate than its Woolworth stores.

While all these programs are underway, Woolworth has moved cautiously in committing itself on interest rates. Recently arranged revolving credit arrangements total \$225 million over three years, and the company has a \$75 million short-term loan agreement. The smaller loan's arrangement provides that Woolworth may elect to pay rates that float with the prime or short-term fixed rates, a decision to be made by Aug. 10, by which time Woolworth's management believes interest rates may decline.

"Over the next three years, we figure that the financial markets will have time to settle down, so that interest rates will decline, and then we will see how much funds we need for longer-term financing," the vice president said. For his part, Woolworth's chairman said the cautious attitude had to be offset by making loan agreements in view of the possibility of tighter money. The government's high budget-deficit projections could mean that Washington's increasing need to borrow will squeeze the money available to business.

ITALSTAT INTERNATIONAL BOOSTS CAPITAL TO 25 MILLION DOLLARS

ITALSTAT INTERNATIONAL, the Luxembourg-based holding company, wholly controlled by Italstat (the IRI holding for the construction and civil engineering sector), increased its capital stock from 10 to 25 million U.S. dollars.

The increase of the total assets of ITALSTAT INTERNATIONAL, founded in 1979, aims at boosting the means of the company both in order to take a better account of the credit and interest given by the international banking system to the IRI-ITALSTAT concerns, Italy's most important group of civil contractors and consulting engineers, and in order to comply with Luxembourg rules about correlation between fundings and assets.

The capital increase will allow a further development in the possibilities of obtaining financial resources on the international market, ensuring a better competitiveness to the Italstat companies dealing with international assignments.

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| | |
|----------------|---------|
| DOLLAR (Can.) | 17 % |
| PESETA (Spain) | 15.25 % |
| DOLLAR (U.S.) | 17 % |
| STERLING (£) | 15.75 % |
| FRANC (French) | 9.75 % |
| MARK (Deutsch) | 12.75 % |
| FRANC (Swiss) | 9.5 % |

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A RECORD OF CONSISTENT GROWTH FROM THE BANK AT THE HEART OF KUWAIT

THE NATIONAL BANK OF KUWAIT IN 1981

"I am happy to state that the impressive growth achieved exceeded expectations both in terms of total assets acquired and profitability."

Mohamed Abdul Mohsin Al-Kharafi, Chairman.

- * Total assets up 42%
- * Letters of credit, acceptances and guarantees up 51%
- * Deposits with banks up 44%
- * Loans and discounts up 39%
- * Published net profits up 28%
- * Paid up capital up 30%.

1981 was another year of outstanding growth for Kuwait's largest and oldest commercial bank, The National Bank of Kuwait.

It continued a sustained pattern of development that has seen the Bank's total assets more than triple over the past six years.

All operating divisions performed well despite increased competition and volatile international interest and exchange rates.



Balance Sheet Highlights KDI = US\$ 3.554

Total assets in 1981 reached KD 1,953 million, an increase of 42% on 1980.

The balance sheet total was up 44%, at KD 2,564 million.

NBK consolidated its leading role in the finance of local development projects and Kuwait's foreign trade with a 51% increase in letters of credit, acceptances and guarantees.

Cash and balances increased 43% to KD 137 million, and deposits with banks up 44% to KD 467 million, also showed dramatic growth.

NBK's continued strong commitment to its Kuwaiti customers, combined with increased international diversification, was reflected in a 39% rise in loans and discounts to KD 886 million.

Shareholders' equity grew to KD 96 million, from KD 81 million in 1980.

Net profit for the year was KD 16 million, compared with KD 12.5 million in 1980, an increase of 28%.

Upon the recommendation of the Board of Directors the shareholders have approved a dividend of 18% (KD 0.180) per share, and an increase in the Bank's paid-up capital of 30%.

Continued leadership in multinational credit

The Bank continued to emphasise its leadership in syndicated activities for customers at home and abroad, managing 34 transactions in all with a total volume of KD 654 million (US\$ 2.3 billion).

Syndicated loans and guarantees amounting to KD 186 million were arranged for multinational companies and contractors

doing business in Kuwait. In addition, the Bank acted as managers in 14 Eurodollar transactions valued at KD 468 million.

International Growth

The Bank pursued its international expansion policy vigorously in 1981 opening a Representative Office in Singapore, and officially inaugurating NBK Overseas (London) Limited and NBK Investment Management Limited.

The Bank also acquired 51% of FRAB Group International, whose assets exceed US\$ 1.2 billion.

For further information on Kuwait's leading Bank, internationally, please post the coupon for a copy of the 1981 Annual Report or contact our Head Office or any overseas division listed below.

Head Office:
Abdullah Al Salem Street,
P.O. Box 95, Safat, Kuwait.
Telephone: 422011 (20 lines)
Telex: NATCREK 22451 KT
NATBANK 23623 KT

Credit Division - Multinational.

Telephone: 431088/440731/438340-50

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Investment & Merchant Banking

Division, Telephone: 463753/438340-50

Telex: NATBANK 44653 KT

London Office:
NBK Overseas (London) Limited,
1 St. Michael's Alley, Cornhill,
London EC3V 9EX, England.
Telephone: 01-623 1881
Telex: 892348 NBKLDN G

Singapore Office:
The National Bank of Kuwait S.A.K.
Singapore Representative Office,
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Raffles Place, Singapore 0104
Telephone: 2225348/2225349
Telex: KUBANK RS20538

To: The Public Relations and Marketing Department,
The National Bank of Kuwait S.A.K.,
P.O. Box 95, Safat, Kuwait.
Please send a copy of the 1981 Annual Report.

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Company _____
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The National Bank of Kuwait S.A.K.

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| 15 | 254 | 254 | 254 | PHN2 L40 | 1 | 1 | 254 | 15 | 254 | 254 | 254 |
| 16 | 254 | 254 | 254 | PHN3 L40 | 1 | 1 | 254 | 16 | 254 | 254 | 254 |
| 17 | 254 | 254 | 254 | PHN4 L40 | 1 | 1 | 254 | 17 | 254 | 254 | 254 |
| 18 | 254 | 254 | 254 | PHN5 L40 | 1 | 1 | 254 | 18 | 254 | 254 | 254 |
| 19 | 254 | 254 | 254 | PHN6 L40 | 1 | 1 | 254 | 19 | 254 | 254 | 254 |
| 20 | 254 | 254 | 254 | PHN7 L40 | 1 | 1 | 254 | 20 | 254 | 254 | 254 |
| 21 | 254 | 254 | 254 | PHN8 L40 | 1 | 1 | 254 | 21 | 254 | 254 | 254 |
| 22 | 254 | 254 | 254 | PHN9 L40 | 1 | 1 | 254 | 22 | 254 | 254 | 254 |
| 23 | 254 | 254 | 254 | PHN10 L40 | 1 | 1 | 254 | 23 | 254 | 254 | 254 |
| 24 | 254 | 254 | 254 | PHN11 L40 | 1 | 1 | 254 | 24 | 254 | 254 | 254 |
| 25 | 254 | 254 | 254 | PHN12 L40 | 1 | 1 | 254 | 25 | 254 | 254 | 254 |
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| 29 | 254 | 254 | 254 | PHN16 L40 | 1 | 1 | 254 | 29 | 254 | 254 | 254 |
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| 32 | 254 | 254 | 254 | PHN19 L40 | 1 | 1 | 254 | 32 | 254 | 254 | 254 |
| 33 | 254 | 254 | 254 | PHN20 L40 | 1 | 1 | 254 | 33 | 254 | 254 | 254 |
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| 35 | 254 | 254 | 254 | PHN22 L40 | 1 | 1 | 254 | 35 | 254 | 254 | 254 |
| 36 | 254 | 254 | 254 | PHN23 L40 | 1 | 1 | 254 | 36 | 254 | 254 | 254 |
| 37 | 254 | 254 | 254 | PHN24 L40 | 1 | 1 | 254 | 37 | 254 | 254 | 254 |
| 38 | 254 | 254 | 254 | PHN25 L40 | 1 | 1 | 254 | 38 | 254 | 254 | 254 |
| 39 | 254 | 254 | 254 | PHN26 L40 | 1 | 1 | 254 | 39 | 254 | 254 | 254 |
| 40 | 254 | 254 | 254 | PHN27 L40 | 1 | 1 | 254 | 40 | 254 | 254 | 254 |
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| 54</ | | | | | | | | | | | |

December 1981

February, 1982

Campbell Leads Irish to Rugby Triple

International Herald Tribune
DUBLIN — The kicking of flyhalf Ollie Campbell won Ireland its first triple crown in the Five Nations Championship in 33 years Saturday. Campbell's patiently amassed points — a dropped goal and six penalty goals — beat Scotland, 21-12, and unleashed pandemonium at the Lansdowne Road rugby stadium.

The overjoyed crowd that

poured onto the pitch to swamp the green shirts at the final whistle was celebrating a resurrection. After dominating the championship briefly in the postwar years, Ireland spent much of the succeeding decades in a second-class role. Last year it lost all four championship matches.

But after a tour to South Africa and a change of captain, the Irish have now beaten Wales, England and Scotland and will be aiming

for the grand slam against France March 20.

Even if they lose that match in Paris they are assured of winning the championship. Only Wales can share first place with Ireland, by beating England and Scotland.

Meanwhile, the triple crown was reason enough for rejoicing, especially in a week full of doubt regarding the Republic's slimy finances. As the indecisive results of Thursday's national elections

became known Saturday, it was also recorded that an all-Ireland team had defeated its three British Isles adversaries for the first time since 1949.

Whatever the outcome for Dr. Garret Fitzgerald the premier, hooker Ciaran Fitzgerald the rugby captain is a national hero whose name will likely be as honored 33 years from now as was that of hooker Karl Mullen, the 1949 captain, in the weeks of fevered media buildup to Saturday's match.

There have been 16 postwar triple crowns in the 36 years since the championship resumed in 1947: nine for Wales, four for England and now Ireland's three in 1948, 1949 and 1982.

Ireland lost the toss and the Scottish captain, Andy Irvine, chose to start against the wind. Campbell, with the wind behind him, kicked two early penalties, but a scrambling break by Scottish scrumhalf Roy Laidlaw produced a try for Campbell's opposite number, John Rutherford, and the conversion by Irvine evened the score, 6-6.

Ireland needed a comfortable margin before losing the wind advantage at halftime, and Campbell proceeded to build it with a penalty, a dropped goal after his own running had won the scoring position, and another penalty. In the second half, two more Campbell penalties matched two kicked by center Jim Renwick, who took over Scotland's kicking from Irvine.

Three-quarters had little to contribute to a match dominated by Campbell and his veteran forwards, with No. 8 Willie Duggan standing out. Fullback Hugo MacNeill, who outplayed Irvine, was another of the happy crowd's heroes.

Meanwhile, of the 190 points scored in the six Five Nations matches so far, kicks have accounted for 138. There have been only 13 tries, but 36 penalty goals. At this rate, the full 1982 championship would produce an unprecedented ratio of 60 penalties to only 22 tries. In the 1970s, when the most penalty goals in a single year was 44 in 1976, the average for a championship was 31 penalties and 30 tries.

—BOB DONAHUE

English Veterans Beat France, 27-15

International Herald Tribune
PARIS — England's heavily criticized team mustered self-respect and good luck to beat France Saturday, 27-15. The victory margin was unduly flattering, said Mike Davis, the English coach. But victory it was.

Symptomatic of the pride that inspired Englishmen in their thirties to put down much younger Frenchmen was the unlikely presence of prop Colin Smart in an unstopable handling movement that put right wing John Carleton — who eluded the final tacker with an acrobatic, one-legged pivot — across at the end for England's second try.

The scrumming power that set off that movement was symptomatic, too, as were the lucidity and determination of Steve Smith, a veteran scrumhalf but novice national captain after the sudden retirement of Bill Beaumont.

The conversion of that try took Dursley Hare's points total for the day to 19. Hare, another of what Davis called his "old heads," had dropped midway through last year's championship.

His return at fullback won England the match.

Hare opened with two penalties. When France forced England to touch down behind its line, left wing Mike Slemen, a veteran with a reputation to restore after England's defeat at home by Ireland, dropped out quickly and chased with center Clive Woodward.

It was a planned move, and it took the French by surprise. At the far end of the pitch, Slemen gave the ball a final boot and shouted to Woodward to slow down — there was no Frenchman around to prevent Woodward's try. Hare converted, England had surprised itself by building a 12-0 lead in 20 minutes.

"Brilliant" was the word English officials and players kept repeating later to describe the French backs. Early in the second quarter, a pass-

ing attack sent fullback Marc Sallerfrance speeding through a big gap untouched, on his way to put left wing Laurent Pardo over for a try. Sallerfrance converted.

Had Sallerfrance and his scrumhalf, Gerald Marner, not missed so often with penalty kicks while Hare was slotting his goals with craftiness, the English felt they would have come unstuck.

Even so, from 12-6 at halftime the score narrowed to 18-15 at the start of the third quarter, as a dropped goal by 20-year-old flyhalf Jean-Patrick Lescaudrou and two Sallerfrance penalties beatered two Hare penalties.

English heads began drooping after Pardo and right wing Serge Blanco swooped together down the left. In the 25th minute of the half, Sallerfrance was setting up the ball to kick a penalty that could have tied the score, when referee Michael Rea noticed the raised flag of a fellow Irishman, touch judge David Burnett, signaling a French infraction. Prop Jean-Paul Wolff, 21, had stamped on his 31-year-old vis-a-vis, Phil Blackway, Burnett said. Rea reversed the penalty.

England was off the hook and the French were dazed. Soon Hare's fifth penalty elated his team and the vocal English contingent in the crowd. The old men linked for the six-point bonus in the 41st minute. It was England's biggest score in Paris since 1914.

Time and again, unforced French mistakes — such as four quick throw-ins well beyond the point where the ball had gone out of bounds — turned the tactical situation around in England's favor. Yet such was the new brio of France's attacking approach that neutral parties, and many an Englishman, predicted big things from this young team when it matures.

Meanwhile, of the 190 points scored in the six Five Nations matches so far, kicks have accounted for 138. There have been only 13 tries, but 36 penalty goals. At this rate, the full 1982 championship would produce an unprecedented ratio of 60 penalties to only 22 tries. In the 1970s, when the most penalty goals in a single year was 44 in 1976, the average for a championship was 31 penalties and 30 tries.

—BOB DONAHUE



Captain Steve Smith, England's scrumhalf, passed the ball off as referee Michael Rea kept his eye on a ruck that included hookers Peter Wheeler and (standing, right) Frenchman Philippe Dintrens.



John Tonelli ... Like winning the cup? 'Close.'

Islanders Win, 3-2, Set Mark

From Agency Dispatches
UNIONDALE, N.Y. — The New York Islanders set a National Hockey League record Saturday night by winning their 15th consecutive regular-season game, edging the Colorado Rockies, 3-2, when John Tonelli rifled a dramatic 30-foot slap shot past Glenn Resch with just 47 seconds remaining in the game.

The Islanders had tied the league mark of 14 straight victories, set by Boston in 1979-80, on Thursday. But they could not shake the feisty Rockies until Tonelli steamed down the left wing and blasted the puck between Resch's legs.

Before a crowd of 15,271 screaming fans at the Nassau Coliseum, Bryan Trottier, who scored the Islanders' first goal, broke out of his own zone. He passed to Tonelli at the Colorado blue line and Tonelli let fly with the record-setting shot.

At the final buzzer, the Islanders stormed onto the ice in a celebratory nearly as frantic as the ones that followed their Stanley Cup victories the past two seasons.

Had Their Doubts
"It wasn't like winning the cup, but it was close," said Tonelli, who scored the game-winning Thursday to ignite the Islanders' record-tying victory over Philadelphia. "It was really frustrating because we had done so much for 14 games. But we couldn't shake them. I was thinking we'd never have the chance again."

Islander captain Denis Potvin

said the record was special. "The way we work, we deserve the record," he said. "We won the one we really wanted."

The all-time record for consecutive NHL victories belongs to the 1954-1955 Detroit Red Wings, who won their last nine regular-season games and six in the playoffs for a total of 15.

The Rockies had jumped ahead 1-0 on Don Lever's goal at 11:40 of the opening period. But the Islanders stormed back later in the period, scoring twice in 50 seconds on goals by Bryan Trottier and rookie Brent Sutter.

But Lever tied the game at 1:46 of the second period, setting up a

tense duel. The popular Resch, in his first appearance at Nassau Coliseum since being traded to Colorado last March, was spectacular in frustrating the Islanders until Tonelli's goal. He turned aside 27 of the Islanders' 30 shots.

The Rockies, who had stopped an 11-game Montreal winning streak earlier last week with a 3-3 tie, then pulled Resch in a last minute attempt to tie the game, but he never came close to beating goalie Billy Smith.

"I've never been so mixed up about a game in my life," Resch had said last week of the upcoming islander game. "I want to play it, but at the same time..."

... Not the same bang.



Wayne Gretzky ... Not the same bang.

Gretzky Breaks Scoring Record

From Agency Dispatches
EDMONTON, Alberta — Edmonton Oilers' Wayne Gretzky broke his own season record of 164 points by scoring three goals and two assists Friday for 167 points.

The 21-year-old center had a goal and an assist in the first period of the National Hockey League game against Hartford. He tied the point record he set last year early in the second period by assisting on a goal by Jan Kurr.

10 minutes later, Gretzky took a pass from Kurr and beat Hartford goalie Greg Millen with his 74th goal. Gretzky admitted it was a bit anticlimactic. "It's nice to know you've been able to do better than the previous season," he said after the Oilers' 7-4 victory.

"But there isn't the same bang when you break one of your own records."

He added his 75th goal in the third period, leaving him one short of the record of 76 goals set by Boston's Phil Esposito in 1970-71.

"I'm going to try to get it quickly," Gretzky said after the Hartford game. "I want these records out of the way as we head into the home stretch."

"I was the happiest guy in the arena when the final buzzer went," said Millen, who was guarding the nets last season when Gretzky broke the previous points record of 152, also held by Esposito.

NHL Standings

| WALSH CONFERENCE | | | | | | | Boston 7, Detroit 5 (Petersen 22, Crowder 14), McCabe 24), O'Reilly 21, Morrow 21) | | | | | | |
|---|----|----|----|-----|-----|-----|--|---|---|---|----|----|-----|
| Patrick Division | | | | | | | Nashua/Newbury (Larson 14), Caronaccio 24), O'Reilly 21, Morrow 21) | | | | | | |
| | W | L | T | GF | GA | Pts | | W | L | T | GF | GA | Pts |
| NY Islanders | 14 | 10 | 4 | 282 | 215 | 46 | Buffalo 2, Montreal 2 (Haworth 15), Ramsay 21) | | | | | | |
| Philadelphia | 11 | 13 | 5 | 241 | 224 | 37 | Vancouver 4, Hartford 2 (Bedford 9), Hinkley 21) | | | | | | |
| NY Rangers | 10 | 14 | 3 | 228 | 236 | 34 | St. Louis 12, St. Paul 12 (Mogher 20), | | | | | | |
| Pittsburgh | 22 | 9 | 10 | 222 | 242 | 54 | San Jose 12, Seattle 12 (Mogher 20), | | | | | | |
| Washington | 17 | 14 | 9 | 228 | 254 | 51 | | | | | | | |
| Adams Division | | | | | | | Pittsburgh 4, Philadelphia 5 (Hethorn 11), | | | | | | |
| Montreal | 24 | 11 | 14 | 277 | 197 | 82 | Bourne 18), Seader 18), Ballard 2 (23), | | | | | | |
| Boston | 21 | 10 | 10 | 227 | 186 | 66 | St. Louis 12, St. Paul 12 (Mogher 20), | | | | | | |
| Quebec | 20 | 11 | 13 | 269 | 223 | 71 | Stiller 22), Kerr 13), Flackhead 9), | | | | | | |
| Hartford | 18 | 15 | 11 | 219 | 226 | 48 | St. Louis 12, St. Paul 12 (Mogher 20), | | | | | | |
| CAMPBELL CONFERENCE | | | | | | | Stiller 22), Kerr 13), Flackhead 9), | | | | | | |
| Norris Division | | | | | | | Stiller 22), Kerr 13), Flackhead 9), | | | | | | |
| Minnesota | 25 | 10 | 3 | 258 | 219 | 65 | Stiller 22), Kerr 13), Flackhead 9), | | | | | | |
| St. Louis | 25 | 10 | 3 | 248 | 218 | 65 | Stiller 22), Kerr 13), Flackhead 9), | | | | | | |
| Chicago | 20 | 18 | 10 | 256 | 232 | 50 | Stiller 22), Kerr 13), Flackhead 9), | | | | | | |
| Winnipeg | 17 | 15 | 11 | 238 | 218 | 48 | Stiller 22), Kerr 13), Flackhead 9), | | | | | | |
| Toronto | 17 | 18 | 11 | 241 | 277 | 49 | Stiller 22), Kerr 13), Flackhead 9), | | | | | | |
| Detroit | 18 | 13 | 11 | 216 | 258 | 47 | Stiller 22), Kerr 13), Flackhead 9), | | | | | | |
| | 25 | 11 | 2 | 214 | 226 | 67 | Stiller 22), Kerr 13), Flackhead 9), | | | | | | |
| Smythe Division | | | | | | | Stiller 22), Kerr 13), Flackhead 9), | | | | | | |
| Edmonton | 20 | 13 | 12 | 238 | 248 | 47 | Stiller 22), Kerr 13), Flackhead 9), | | | | | | |
| Calgary | 20 | 13 | 12 | 238 | 248 | 47 | Stiller 22), Kerr 13), Flackhead 9), | | | | | | |
| Calgary | 22 | 14 | 3 | 245 | 264 | 58 | Stiller 22), Kerr 13), Flackhead 9), | | | | | | |
| Los Angeles | 16 | 11 | 13 | 238 | 248 | 47 | Stiller 22), Kerr 13), Flackhead 9), | | | | | | |
| San Jose | 13 | 18 | 17 | 218 | 272 | 37 | Stiller 22), Kerr 13), Flackhead 9), | | | | | | |
| Seahawks Division | | | | | | | Stiller 22), Kerr 13), Flackhead 9), | | | | | | |
| N.Y. Islanders & Colorado 2 (Traylor 14), | | | | | | | Stiller 22), Kerr 13), Flackhead 9), | | | | | | |

